

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: June 2, 2005

FEDERATED DEPARTMENT STORES, INC.

7 West Seventh Street, Cincinnati, Ohio 45202
(513) 579-7000

-and-

151 West 34th Street, New York, New York 10001
(212) 494-1602

Delaware (State of Incorporation)	1-13536 (Commission File Number)	13-3324058 (IRS Employer Identification No.)
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Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On June 2, 2005, Federated Department Stores, Inc. (together with its subsidiaries, as applicable, "Federated") entered into a Purchase, Sale and Servicing Transfer Agreement (the "Purchase Agreement") with Citibank, N.A. (together with its subsidiaries, as applicable, "Citibank"). The Purchase Agreement provides, on the terms and subject to the conditions set forth therein, for, among other things, the purchase by Citibank of (i) the proprietary and non-proprietary credit card accounts owned by Federated, together with related receivables balances, and the capital stock of Prime Receivables Corporation, a wholly owned subsidiary of Federated, which owns all of Federated's interest in the Prime Credit Card Master Trust (the foregoing and certain related assets being the "FDS Credit Assets"), (ii) the "Macy's" credit card accounts owned by GE Capital Consumer Card Co. ("GE Bank"), together with related receivables balances (the foregoing and certain related assets being the "GE/Macy's Credit Assets"), upon the termination of Federated's credit card program agreement with GE Bank, and (iii) the proprietary credit card accounts owned by The May Department Stores Company ("May"), together with related receivables balances (the foregoing and certain related assets being the "May Credit Assets"), within 12 months after the acquisition of May by Federated (which is expected to occur in the third quarter of 2005).

In connection with the Purchase Agreement, Federated and Citibank entered into a long-term marketing and servicing alliance pursuant to the terms of a Credit Card Program Agreement (the "Program Agreement") with an initial term of 10 years commencing upon the final closing under the Purchase Agreement and, unless terminated by either party as of the expiration of the initial term, an additional renewal term of three years. The Program Agreement provides, on the terms and subject to the conditions set forth therein, for, among other things,

(i) the ownership by Citibank of the accounts purchased by Citibank pursuant to the Purchase Agreement, (ii) the ownership by Citibank of new accounts opened by Federated's customers, (iii) the provision of credit by Citibank to the holders of the credit cards associated with the foregoing accounts, (iv) the servicing of the foregoing accounts, and (v) the allocation between Citibank and Federated of the economic benefits and burdens associated with the foregoing and other aspects of the alliance.

The press release issued by Federated on June 2, 2005 with respect to the entry into the Purchase Agreement and the Program Agreement is filed as Exhibit 99.1 hereto and is incorporated herein by reference. The information set forth in Item 8.01 of this report is incorporated into this Item 1.01 by reference.

Copies of the Purchase Agreement and the Program Agreement are attached hereto as Exhibits 10.1 and 10.2, respectively, and are incorporated herein by reference. The descriptions of the Purchase Agreement and the Program Agreement and the transactions contemplated thereby set forth or incorporated by reference herein are qualified in their entirety by reference to the full text of such documents.

Item 8.01 Other Events.

As previously reported, Federated and May are parties to a merger agreement which provides, upon the terms and subject to the conditions set forth therein, for the merger of May with and into a wholly owned subsidiary of Federated. In connection with the merger, Federated and May prepared a joint proxy statement/prospectus, dated May 31, 2005, which is included in a registration statement on Form S-4 filed by Federated with the Securities and Exchange Commission. The information set forth in this Item 8.01 is provided in order to update certain pro forma data set forth in the joint proxy statement/prospectus.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF FEDERATED

The following unaudited pro forma consolidated financial statements of Federated give effect to the merger and the sale of the FDS Credit Assets as if these transactions had been completed as of February 1, 2004, with respect to the pro forma consolidated statement of income, and as of January 29, 2005, with respect to the pro forma consolidated balance sheet. Because May's acquisition of the Marshall Field's department store group effective July 31, 2004, was accounted for under the purchase method of accounting, May's historical statements of income give effect to the results of operations of the Marshall Field's department store group only from and after that date. The following pro forma consolidated statement of income gives effect to May's acquisition of the Marshall Field's department store group as if such acquisition had been completed as of February 1, 2004, rather than effective July 31, 2004.

The following unaudited pro forma consolidated financial statements of Federated assume that the net cash proceeds from the sale of the FDS Credit Assets will be used to fund a portion of the cash consideration payable to May's stockholders in the merger. Compared to the unaudited pro forma consolidated financial statements of Federated included in the joint proxy statement/prospectus, this assumption and related assumptions reduce Federated's pro forma long-term debt at January 29, 2005 by \$3,725 million, increase Federated's pro forma short-term debt at January 29, 2005 by \$49 million and reduce Federated's pro forma interest expense, net for the year ended January 29, 2005 by \$175 million.

The following unaudited pro forma consolidated financial statements should be read in conjunction with the information set forth or incorporated by reference in Item 1.01 of this report and the historical consolidated financial statements and notes thereto of Federated and May, which are incorporated by reference in the joint proxy statement/prospectus, and the other information contained or incorporated by reference in the joint proxy statement/prospectus. Certain items derived from May's historical financial statements have been reclassified to conform to the pro forma presentation.

The merger will be accounted for under the purchase method of accounting, with Federated treated as the accounting acquirer. Under this method of accounting, the purchase price will be allocated to May's net assets based upon the estimated fair values of May's assets and liabilities at the date of acquisition. The actual purchase price to be so allocated will depend upon,

among other things, the number of shares of May common stock issued and outstanding or subject to outstanding options immediately prior to the merger. The unaudited pro forma consolidated financial statements include adjustments, which are based upon preliminary estimates, to reflect the allocation of the purchase price to May's net assets as of January 29, 2005. The purchase price allocation presented herein is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the actual assets and liabilities of May as of the date of the completion of the merger. Accordingly, the actual purchase accounting adjustments may differ from the pro forma adjustments reflected herein.

The following unaudited pro forma consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of what Federated's actual financial position or results of operations would have been had the merger, the sale of the FDS Credit Assets and May's acquisition of the Marshall Field's department store group, been completed on the dates indicated above. Except as described above, the following unaudited pro forma consolidated financial statements do not give effect to (1) Federated's or May's results of operations or other transactions or developments since January 29, 2005, (2) the synergies, cost savings and one-time charges expected to result from the merger, or (3) the effects of transactions or developments, including sales of stores or other assets, which may occur subsequent to the merger. In particular, the following unaudited pro forma consolidated financial statements do not give effect to the purchase by Citibank of the GE/Macy's Credit Assets or the May Credit Assets, the former of which is not expected to occur until April 2006 and the latter of which may be deferred for up to 12 months following Federated's acquisition of May. The following unaudited pro forma consolidated financial statements also assume the absence of any adjustment to the purchase price provided for in the merger agreement.

The foregoing matters could cause both Federated's pro forma historical financial position and results of operations, and Federated's actual future financial position and results of operations, to differ materially from those presented in the following unaudited pro forma consolidated financial statements

FEDERATED DEPARTMENT STORES, INC.

Unaudited Pro Forma Consolidated Balance Sheet
January 29, 2005

(All amounts in millions)

<TABLE>
<CAPTION>

	Historical Federated	Adjustments for Credit Sale	Federated as Adjusted	Historical May (a)	Adjustments for Merger	Federated Pro Forma
	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:						
Current Assets:						
Cash.....	\$ 868	\$ 2,425 (A)	\$ 3,293	\$ 62	\$ (2,988) (b1)	\$ 367
Accounts receivable.....	3,418	(3,211) (B)	207	2,294	331 (b2)	2,832
Merchandise inventories.....	3,120		3,120	3,092	93 (b3)	6,305
Supplies and prepaid expenses.....	104		104	129		233
Total Current Assets.....	7,510	(786)	6,724	5,577	(2,564)	9,737
Property and Equipment - net.....	6,018		6,018	6,190	785 (b4)	12,993
Goodwill.....	260		260	2,634	(2,634) (b5)	9,760
			9,500 (b5)			
Other Intangible Assets - net.....	378		378	602	(602) (b6)	808
			430 (b6)			
Other Assets.....	719		719	160	(49) (b7)	783
			(47) (b8)			
Total Assets.....	\$ 14,885	\$ (786)	\$ 14,099	\$ 15,163	\$ 4,819	\$ 34,081

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current Liabilities:

Short-term debt.....	\$ 1,242	\$ (836) (C)	\$ 406	\$ 513	\$ 2,650 (b1)	\$ 3,569
Accounts payable and accrued liabilities.....	2,707	(53) (B)	2,654	2,798		5,452
Income taxes.....	352	107 (D)	459	158		617
	-----	-----	-----	-----	-----	-----
Total current liabilities.....	4,301	(782)	3,519	3,469	2,650	9,638
Long-Term Debt.....	2,637	(400) (C)	2,237	5,662	665 (b8)	8,564
Deferred Income Taxes.....	1,199		1,199	818	43 (b9)	2,060
Other Liabilities.....	581	581	528	163 (b7)		1,272
ESOP Preference Shares.....	-		-	211	(211) (b10)	-
Shareholders' Equity.....	6,167	396 (E)	6,563	4,475	(4,475) (b11)	12,547
	-----	-----	5,984 (b11)	-----	-----	-----
	-----	-----	-----	-----	-----	-----
Total Liabilities and Shareholders' Equity...	\$ 14,885	\$ (786)	\$ 14,099	\$ 15,163	\$ 4,819	\$ 34,081
	=====	=====	=====	=====	=====	=====

</TABLE>

See Notes to Unaudited Pro Forma Consolidated Balance Sheet

FEDERATED DEPARTMENT STORES, INC.

Notes to Unaudited Pro Forma Consolidated Balance Sheet

(All amounts in millions except per share figures)

NOTES RELATING TO CREDIT SALE ADJUSTMENTS

- (A) To reflect the net cash proceeds resulting from the sale of Federated's proprietary and non-proprietary credit card portfolios.
- (B) To reflect the sale of Federated's proprietary and non-proprietary credit card portfolios (including credit balance reclassifications).
- (C) To reflect the extinguishment of debt secured by Federated's proprietary and non-proprietary credit card portfolios
- (D) To reflect the estimated current income taxes payable directly related to the sale of Federated's proprietary and non-proprietary credit card portfolios.
- (E) To reflect the estimated after-tax gain on the sale of Federated's proprietary and non-proprietary credit card portfolios.

NOTES RELATING TO MERGER ADJUSTMENTS

- (a) Certain reclassifications have been made to the historical presentation of May to conform to the presentation used in the unaudited pro forma consolidated balance sheet.
- (b) The merger agreement provides that, in connection with the merger, May stockholders will be entitled to receive 0.3115 shares of Federated common stock and \$17.75 in cash for each May share of common stock. The merger agreement further provides that, if the total value of Federated common stock to be received in the merger falls below 40% of the total merger consideration, Federated may elect to pay more in Federated common stock to maintain the nontaxable status of the merger or, if Federated does not so elect, May may elect to increase to increase the cash consideration received in the merger for each share of May common stock to \$18.75. Under the merger agreement, there are no other circumstances in which the exchange ratio or the cash consideration increases. Federated has assumed that none of these changes to the merger consideration payable to May stockholders will occur.

Under the purchase method of accounting, the total consideration payable in the merger will be allocated to May's tangible and intangible assets and liabilities based on their estimated fair values as of the date of the merger. The preliminary estimated consideration is as follows:

<TABLE>
<CAPTION>

	Common Stock	Paid-in Capital	Total
<S>	<C>	<C>	<C>
Issuance of Federated shares to May stockholders (97.186 shares at \$58.55 per share *)		\$ 1	\$ 5,689
Estimate of fair value of May stock options assumed			\$ 5,690
			294
(b11) Total equity consideration			5,984
Cash consideration payable to May stockholders			5,538
Estimated transaction costs			100
(b1) Total cash consideration			5,638
Total consideration			\$11,622

</TABLE>

* the average market price of Federated Common Stock from February 24, 2005 to March 2, 2005

For purposes of cash consideration to be paid to May stockholders and to fund transaction costs, Federated has assumed that \$2,988 million of cash (including the net proceeds from the sale of the FDS Credit Assets) will be utilized and that the remainder will be financed through the issuance of \$2,650 million of short-term debt bearing interest at an annual rate of approximately 3.0%. Actual amounts borrowed, and interest rates payable, will depend on Federated's cash balances and conditions in the capital markets, including prevailing rates of interest, at the time the merger is completed.

The estimated consideration is preliminarily allocated as follow:

<TABLE>

<S>	<C>
(b11) May's historical net book value	\$ 4,475
(b5) Elimination of May's historical goodwill	(2,634)
(b6) Elimination of May's historical identifiable intangible assets	(602)
(b2) Estimate of adjustment to fair value of accounts receivable	331
(b3) Estimate of adjustment to fair value of merchandise inventories	93
(b4) Estimate of adjustment to fair value of property and equipment	785
(b5) Goodwill created	9,500
(b6) Estimate of adjustment to fair value of identifiable intangible assets	430
(b7) Estimate of adjustment to fair value of pension and post-retirement obligations	(212)
(b8) Estimate of adjustment to fair value of assumed long-term debt (including the write-off of deferred financing costs)	(712)
(b10) Elimination of ESOP preference shares	211
(b9) Estimate of deferred taxes on adjustments at combined rate of 38%	(43)
Total consideration allocated	\$ 11,622

</TABLE>

Federated has not completed an assessment of the fair values of assets and liabilities of May and has not finalized its plans regarding the integration of May's businesses with Federated's businesses. Although certain assets are expected to be sold, with the exception the May Credit Assets, the identification of such assets will not be made until Federated's review of May's assets has been completed. Federated expects that the final purchase price allocation will include adjustments to the fair values of depreciable tangible assets, identifiable intangible assets (some of which will have indefinite lives) and liabilities, including the establishment of any potential liabilities associated with business integration plans, sales of assets or operations, and termination and change in control benefits. To the extent such assessments indicate that the fair value of the assets and liabilities differ from their net book values, such differences would be allocated to those assets and liabilities.

For purposes of the allocation above, Federated has allocated \$785 million to property and equipment. This allocation has been preliminarily assigned to land and buildings and improvements. The purchase price was allocated to property and equipment, with the exception of recent May acquisitions, using an

industry-specific income capitalization approach. Furniture, fixtures and equipment, which generally have short lives and relatively modest residual values were determined to have fair values that approximated book values. The preliminary allocation to property and equipment included in these pro forma financial statements is as follows:

<TABLE>
<CAPTION>

Asset Classification	Increase in Value	Estimated Remaining Useful Life
<S>	<C>	<C>
Land	\$ 380	n/a
Buildings and improvements	405	15 years

For purposes of the allocation above, Federated has allocated \$430 million to identifiable intangible assets. The values assigned to tradenames and customer relationships were estimated using relative value comparisons with prior acquisitions adjusted for the anticipated utility to Federated. The preliminary allocation to identifiable intangible assets included in these pro forma financial statements is as follows:

<TABLE>
<CAPTION>

Asset Classification	Assigned Value	Estimated Remaining Useful Life
<S>	<C>	<C>
Tradenames	\$ 168	Indefinite
Tradenames	142	36
Customer relationships	120	7

FEDERATED DEPARTMENT STORES, INC.

Unaudited Pro Forma Consolidated Statement of Income
For the Fiscal Year Ended January 29, 2005

(All amounts in millions except per share figures)

<TABLE>
<CAPTION>

	Pro Forma					
	Historical Federated	Adjustments for Credit Sale	Federated as Adjusted	Historical Federated	Adjustments for Merger	Federated Pro Forma
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net Sales.....	\$15,630	\$ -	\$15,630	\$15,434		\$31,064
Cost of sales.....	9,297		9,297	8,967	93 (b)	18,357
Gross margin.....	6,333	-	6,333	6,467	(93)	12,707
Selling, general and administrative expenses.....	4,933	127 (A)	5,060	5,231	(8) (c)	10,324
			27 (d)			
			14 (d)			
Operating income.....	1,400	(127)	1,273	1,236	(126)	2,383
Interest expense, net.....	(284)	41 (B)	(243)	(450)	(95) (e)	(730)
			58 (f)			
Income before income taxes.....	1,116	(86)	1,030	786	(163)	1,653
Federal, state and local income tax.....	(427)	33	(394)	(273)	62	(605)

Net income.....	\$ 689	\$(53)	\$ 636	\$ 513	\$(101)	\$ 1,048
Basic earnings per share.....	\$ 3.93		\$ 3.63			\$ 3.85
Diluted earnings per share	\$ 3.86		\$ 3.57			\$ 3.77
Average common shares:						
Basic.....	175.1		175.1	97.2 (g)		272.3
Diluted.....	178.2		178.2	97.2 (g)		278.0
				2.6 (h)		

</TABLE>

See Notes to Unaudited Pro Forma Consolidated Statement of Income

FEDERATED DEPARTMENT STORES, INC.

Notes to Unaudited Pro Forma Consolidated Statement of Income
For the Fiscal Year Ended January 29, 2005

(All amounts in millions)

NOTES RELATING TO CREDIT SALE ADJUSTMENTS

- (A) To reflect the net effect of the elimination of historical operating results of Federated's proprietary and non-proprietary credit card portfolios and the recordation of estimated operating profits under the Program Agreement.
- (B) To reflect the elimination of historical interest expense related to debt secured by Federated's proprietary and non-proprietary credit card portfolios.

NOTES RELATING TO MERGER ADJUSTMENTS

- (a) Historical May results have been adjusted to reflect May's acquisition of the Marshall Field's department store group as if it had occurred as of February 1, 2004 rather than effective July 31, 2004. See the unaudited pro forma consolidated statement of income of May for the fiscal year ended January 29, 2005 included elsewhere in this report.
- (b) Represents the increase in cost of sales resulting from the adjustment of May's merchandise inventories to fair value as described in Note b of the Notes to Unaudited Pro Forma Consolidated Balance Sheet.
- (c) Represents the elimination of compensation expense for employee stock options recorded by May under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," to conform to Federated's accounting principles. Federated accounts for its stock-based employee compensation plan in accordance with Accounting Principles Board ("APB") Opinion No. 25 and related interpretations, so that no stock-based employee compensation cost related to stock options is reflected in net income.
- (d) Represents an increase in depreciation and amortization expense resulting from the adjustment to May's property and equipment and identifiable intangible assets based on the adjustment of such assets to their fair value as described in Note b of the Notes to Unaudited Pro Forma Consolidated Balance Sheet. The increase in depreciation and amortization expense has been estimated as follows:

<TABLE>
<CAPTION>

	Additional	
	Annual	
	Estimated	Depreciation
Increase in	Remaining	and
Value	Useful Life	Amortization

<S>	<C>	<C>	<C>	
Buildings and improvements		\$405	15	\$27
Definite Lived Intangible Assets		100	7	14

The unaudited pro forma consolidated financial statements reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets. The final purchase price allocation may result in a different allocation for tangible and intangible assets than that presented in these unaudited pro forma consolidated financial statements. An increase or decrease in the amount or purchase price allocated to amortizable assets would impact the amount of annual amortization expense. The following table shows the effect on pro forma net income and diluted earnings per share for every \$100 million of purchase price allocated to property and equipment and amortizing intangible assets at a range of weighted-average useful lives:

<TABLE>
<CAPTION>

Weighted Average Life	Additional Annual Depreciation and Amortization	Diluted Earnings Net Income	Per Share
<S>	<C>	<C>	<C>
Five years	\$20	\$(12)	\$(.04)
Ten years	10	(6)	(.02)
Twenty-five years	4	(3)	(.01)

- (e) Represents the increase in interest expense as a result of the cash funding of the acquisition (including the net proceeds from the sale of the FDS Credit Assets) as described in Note b of the Notes to Unaudited Pro Forma Consolidated Balance Sheet. A 1/8 percentage point change in the assumed interest rates would result in an adjustment to net income of \$4 million before income tax effects
- (f) Represents the decrease in interest expense resulting from the adjustment of May's long-term debt to its fair value as described in Note b of the Notes to Unaudited Pro Forma Consolidated Balance Sheet. The difference between the fair value and recorded value of each borrowing is amortized as a reduction to interest expense over the remaining term of the borrowing.
- (g) Represents the shares of Federated Common Stock to be issued to May stockholders to effect the merger as described in Note b of the Notes to Unaudited Pro Forma Consolidated Balance Sheet.
- (h) Represents the impact of the dilutive May stock options to be assumed by Federated as described in Note b of the Notes to Unaudited Pro Forma Consolidated Balance Sheet.

THE MAY DEPARTMENT STORES COMPANY

Unaudited Pro Forma Consolidated Statement of Income
For the Fiscal Year Ended January 29, 2005

(All amounts in millions)

<TABLE>
<CAPTION>

	Historical May (a)	May Pro Forma Adjustments (b)	Pro Forma Historical May
<S>	<C>	<C>	<C>
Net Sales.....	\$14,311	\$1,123	\$15,434
Cost of sales.....	8,310	657	8,967

Gross margin.....	6,001	466	6,467
Selling, general and administrative expenses.....	4,812	419	5,231
Operating income.....	1,189	47	1,236
Interest expense, net.....	(386)	(64)	(450)
Income before income taxes.....	803	(17)	786
Federal, state and local income tax.....	(279)	6	(273)
Net income (loss).....	\$ 524	\$ (11)	\$ 513

</TABLE>

Notes:

- (a) Certain reclassifications have been made to the historical presentation of May to conform to the presentation used in the Federated Unaudited Pro Forma Consolidated Statement of Income. May's historical leased department income of \$95 million and shipping and handling income of \$35 million were reclassified from net sales to selling, general and administrative expenses. Additionally, May's historical buying and occupancy costs of \$1,902 million were reclassified from cost of sales to selling, general and administrative expenses.
- (b) Adjustments give effect to the results of operations for the Marshall Field's department store group for the 26 weeks ended July 31, 2004 as if May had acquired the Marshall Field's department store group as of February 1, 2004, including pro forma adjustments to reflect depreciation and amortization using the asset values recognized after applying purchase accounting adjustments and interest expense on borrowings used to finance the acquisition. May acquired Marshall Field's department store group effective July 31, 2004 and included Marshall Field's results of operations in May's consolidated financial statements only from and after that date.

COMPARATIVE PER SHARE INFORMATION

The following table presents income from continuing operations, cash dividends declared and book value per common share data separately for Federated and May on an unaudited pro forma combined basis per Federated common share and on an unaudited pro forma combined basis per May equivalent common share. The following selected unaudited pro forma financial data are derived from, should be read in conjunction with, and are subject to the same assumptions, limitations and caveats as, the unaudited pro forma financial statements of Federated set forth above.

The unaudited pro forma combined data per Federated common share are (1) based upon the historical weighted average number of Federated common shares outstanding, adjusted to include the estimated number of Federated common shares to be issued in the merger, and (2) in the case of cash dividends paid per common share, reflect Federated's agreement to increase its quarterly dividend to \$0.25 per share following the merger. The unaudited pro forma combined data per May equivalent common share is based on the unaudited pro forma combined per Federated common share amounts, multiplied by the exchange ratio of 0.3115.

<TABLE>

<CAPTION>

AT OR FOR THE YEAR ENDED JANUARY 29, 2005:	PRO FORMA COMBINED DATA PER PRO FORMA COMBINED DATA PER FEDERATED COMMON SHARE	MAY EQUIVALENT COMMON SHARE
<S>	<C>	<C>
Income from continuing operations per common share:		

Basic	\$ 3.85	\$ 1.20
Diluted.....	\$ 3.77	\$ 1.17
Cash dividends declared per common share.....	\$ 1.00	\$ 0.31
Book value per common share.....	\$ 47.39	\$14.76

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits

- 10.1 Purchase, Sale and Servicing Transfer Agreement, dated as of June 2, 2005, among Federated, FDS Bank, Prime II Receivables Corporation and Citibank, N.A.
- 10.2 Credit Card Program Agreement, dated as of June 2, 2005, among Federated, FDS Bank, FACS Group, Inc. and Citibank, N.A.
- 99.1 Press Release, dated June 2, 2005.

FEDERATED DEPARTMENT STORES, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FEDERATED DEPARTMENT STORES, INC.

Dated: June 7, 2005

By: /s/ Joel A. Belsky

Name: Joel A. Belsky

Title: Vice President and Controller

EXHIBIT 10.1

PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT

AMONG

CITIBANK, N.A.,

FEDERATED DEPARTMENT STORES, INC.,

FDS BANK

AND

PRIME II RECEIVABLES CORPORATION

DATED AS OF JUNE 1, 2005

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PURCHASE, SALE AND SERVICING TRANSFER AGREEMENT, dated as of June 1, 2005 (this "Agreement"), among Federated Department Stores, Inc., a Delaware corporation ("FDS"), FDS Bank, a federally-chartered stock savings bank ("FDS Bank"), Prime II Receivables Corporation, a Delaware corporation ("Prime II"), and Citibank, N.A., a national banking association (the "Purchaser").

RECITALS

WHEREAS, FDS is, among other things, (i) engaged in the business of selling merchandise through retail stores and by other means and (ii) indirectly through certain of its subsidiaries, including FDS Bank, engaged in the Business (as defined herein);

WHEREAS, the Prime Credit Card Master Trust (the "Prime Master Trust") was formed pursuant to that certain Amended and Restated Pooling and Servicing Agreement, dated as of December 15, 1992, as amended and/or supplemented through the date of this Agreement and as it may be further amended and/or supplemented through the First Closing Date (as defined herein) to the extent permitted by this Agreement, including all series supplements thereto (the "Prime Pooling and Servicing Agreement"), by and among Prime Receivables Corporation, a Delaware corporation ("Prime"), as transferor, FDS Bank (as successor to FDS National Bank), as servicer, and JPMorgan Chase Bank (formerly

known as The Chase Manhattan Bank and as successor to Chemical Bank), as trustee;

WHEREAS, the Prime Credit Card Master Trust II (the "Prime II Master Trust") was formed pursuant to that certain Pooling and Servicing Agreement, dated as of January 22, 1997, as amended and/or supplemented through the date of this Agreement and as it may be further amended and/or supplemented through the First Closing Date, including all series supplements thereto (the "Prime II Pooling and Servicing Agreement"), by and among Prime II, as transferor, FDS Bank (as successor to FDS National Bank), as servicer, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the Prime Pooling and Servicing Agreement and the Prime II Pooling and Servicing Agreement together the "Pooling and Servicing Agreements");

WHEREAS, pursuant to this Agreement, (i) the Sellers referred to herein desire to sell or cause to be sold to the Purchaser, and the Purchaser desires to purchase the Acquired Assets and Stock (as defined herein), including the Accounts (as defined herein) and related credit card relationships from and after the closing of such sale or sales, and to assume the Assumed Liabilities (as defined herein) pursuant to the terms contained and in the manner described herein, and (ii) the Purchaser desires to form a federally-chartered bank, which will be a subsidiary of the Purchaser ("CEBA Bank") and assign to CEBA Bank the Acquired Assets and Stock and cause CEBA Bank to assume the Assumed Liabilities as more fully specified herein;

WHEREAS, (i) on the date hereof, FDS, FDS Bank, FACS Group, Inc. and the Purchaser are entering into a Program Agreement (the "Program Agreement") in the form attached hereto as Annex A, to become effective as of the Effective Date (as defined in the Program Agreement), that provides for, among other things, the issuance of proprietary cards and co-branded credit cards, the issuance of existing and new credit related products, the processing and servicing of the related Accounts, and the conduct of related marketing activities, and (ii) on

or prior to the First Closing Date, the Purchaser shall assign all of its rights and obligations under the Program Agreement to CEBA Bank.

NOW, THEREFORE, in consideration of the premises, and of the mutual representations and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.1. Definitions of Certain Terms.

(a) In this Agreement, the following terms are used with the meanings assigned below:

"Accounts" means the collective reference to the FDS Accounts, the GE/Macy's Accounts and the May Accounts.

"Account Agreement" means an agreement (including related disclosure) between FDS Bank, GE Bank or May Bank, as the case may be, and a Person or Persons under which Accounts are established and Credit Cards are issued to or on behalf of such Person or Persons, as such agreement may be amended, modified or otherwise changed from time to time (including pursuant to change of terms notices or any debt cancellation agreements).

"Acquired Assets and Stock" means the collective reference to the FDS Assets, the Prime Stock, the GE/Macy's Assets and the May Assets.

"Affiliate" means, with respect to any Person, each Person that controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. From and after the closing of the May Merger, for all purposes under this Agreement, May Co. and its Affiliates shall be considered Affiliates of the Sellers. Notwithstanding the foregoing, solely for purposes of this Agreement, and regardless of its characterization under applicable Requirements of Law or the Program

Agreement, upon issuance to FDS Bank of the CEBA Equity Interests, CEBA Bank shall be deemed to be an Affiliate of the Purchaser and not an Affiliate of the Sellers from and after the First Closing.

"Ancillary Agreements" means the Program Agreement, the First Instrument of Assignment and Assumption, the Second Instrument of Assignment and Assumption and the Third Instrument of Assignment and Assumption.

"Ancillary Products" has the meaning set forth in the Program Agreement.

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"Applicable Order" means, with respect to any Person, a judgment, injunction, writ, decree or order of any Governmental Authority, in each case legally binding on that Person or on any material amount of its property.

"Assigned Contracts" means the Contracts listed on Schedule 1.1(a).

"Assumed Liabilities" means the collective reference to the FDS Liabilities, the GE/Macy's Liabilities and the May Liabilities.

"Books and Records" means books, records, original documents, files, correspondence, books of account, Credit Card applications, customer service and collection records, billing tapes, month-end tapes, papers, statement forms, plastics, application forms and other data maintained by or on behalf of Sellers or any of their Affiliates, whether in hard copy or electronic format or any other form, including those relating to the Prime Master Trust, in each case to the extent within the Sellers' control and possession and primarily used in the Business, other than the FDS Cardholder List, the GE/Macy's Cardholder List, the May Cardholder List, the Master File and any of the foregoing relating principally to the Excluded Assets and other than Tax Returns or Tax work papers. For the avoidance of doubt, the term "Books and Records" does not include any FDS Shopper Data (to the extent not included in the Master File (and without limiting FDS's ownership of such FDS Shopper Data contained in the Master File)), FDS Systems (as defined in the Program Agreement) or any of the Sellers' minute books, stock ledgers, internal accounting records or other corporate records and documents.

"Business" means the Credit Card business relating to the Acquired Assets and Stock conducted by FDS and its Subsidiaries and (to the extent of FDS's ability to control matters relating to the accounts under the GE/Macy's Program Agreement prior to the termination of the GE/Macy's Program Agreement) GE Bank and its Affiliates, including (A) the extension of credit to Cardholders, the servicing of the Accounts (including servicing under the Pooling and Servicing Agreements), billings, collections, processing of Account transactions, the administration of the Accounts and Gross Receivables (including the Securitization Receivables) and all aspects of the proprietary Credit Card program relating to the Accounts and (B) the offering of any Ancillary Products to Cardholders but excluding (i) the operations, systems and facilities of FACS Group, Inc., (ii) all Employees, (iii) the Excluded Assets, and (iv) the May Business prior to the closing of the May Merger.

"Business Day" means any day, other than a Saturday or Sunday, on which both FDS and the Purchaser are open for business at their respective U.S. headquarters.

"Card Associations" means VISA U.S.A., Inc. and VISA International Inc.

"Cardholder" means a Person or Persons to whom a Credit Card is or has been issued by FDS Bank or May Bank or is or has been issued by GE Bank in accordance with the GE/Macy's Program Agreement and in whose name(s) an Account, in connection with which the Credit Card may be used, has been established pursuant to an Account Agreement.

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"Charged Off Accounts" means, collectively, all Credit Card Accounts

that (a) would constitute FDS Accounts, but for clause (ii) of the definition of FDS Accounts, (b) would constitute GE/Macy's Accounts but for clause (ii) of the definition of GE/Macy's Accounts, and (c) would constitute May Accounts but for clause (ii) of the definition of May Accounts.

"Code" means the Internal Revenue Code of 1986, as amended.

"Constituent Documents" means the articles of association, articles of incorporation, certificate of incorporation, by-laws and/or other organizational documents, as appropriate, of any Person.

"Contract" means, with respect to any Person, any agreement, undertaking, contract, obligation, indenture, deed of trust or other instrument, document or agreement by which that Person, or any amount of its properties or assets, is bound and/or subject.

"Credit Card" means a proprietary or co-branded card that may be used by the Cardholder or authorized user to purchase goods and services, obtain cash advances or convenience checks and/or transfer balances through open-end revolving credit, commonly known as a credit or charge card; provided that the term does not include: (i) any gift card; (ii) any debit card, smart card, stored value card, electronic or digital cash card or any other card that does not provide the holder thereof with the ability to obtain credit other than through an overdraft line or similar feature; (iii) any secured card, including any card secured by a lien on real or other property or by a deposit (other than any credit card issued in respect of any Prepaid Employee Account (as defined in the Program Agreement), which shall be deemed a Credit Card for purposes of this Agreement); or (iv) any card issued to the holder of a securities brokerage account that allows the holder to obtain credit through a margin account.

"Credit Card Account" means any account under which a purchase, cash advance, credit transaction, convenience check or transfer balance may be or has been made by a Cardholder by means of a Credit Card, which is recorded as an Account on the computer system or internal processing system of FDS or any of its Subsidiaries, or any third party processor used by FDS or its Subsidiaries, and established pursuant to an Account Agreement.

"Employees" means all current and former full-time and part-time employees of FDS and its Subsidiaries (whether or not on vacation, military leave, sick leave, maternity leave, disability or other leave of absence) who are employed principally in connection with the Business, in their capacity as such.

"Estimated FDS Purchase Price" means the amount payable by the Purchaser on the First Closing Date in accordance with the Estimated First Closing Statement.

"Estimated First Closing Statement" means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(1), showing in reasonable detail the calculation of the Estimated FDS Purchase Price, based on data available as of the fifth Business Day preceding the First Cut-Off Time.

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"Estimated GE/Macy's Purchase Price" means the amount payable by the Purchaser on the Second Closing Date in accordance with the Estimated Second Closing Statement.

"Estimated May Purchase Price" means the amount payable by the Purchaser on the Third Closing Date in accordance with the Estimated Third Closing Statement or such other amount payable pursuant to Section 6.16.

"Estimated Second Closing Statement" means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(2), in each case showing in reasonable detail the calculation of the Estimated GE/Macy's Purchase Price, based on data available as of the fifth Business Day preceding the Second Cut-Off Time.

"Estimated Third Closing Statement" means a statement prepared by the Sellers, substantially in the form of Schedule 1.1(b)(3), or such other Schedule as may be prepared pursuant to Section 6.16, in each case showing in reasonable detail the calculation of the Estimated May Purchase Price, based on data available as of the fifth Business Day preceding the Third Cut-Off Time.

"Excluded Assets" means the assets, properties and rights of the Sellers and their Affiliates, other than the FDS Assets, the GE/Macy's Assets and the May Assets, including the following:

(1) all rights under any Contracts other than (A) the Prime Securitization Documents, (B) the Account Agreements and (C) to the extent set forth in clause (9) of the definition of FDS Assets, the Assigned Contracts;

(2) all rights to receive Interchange Fees with respect to Account transactions occurring prior to the First Cut-Off Time in the case of the FDS Accounts, the Second Cut-Off Time in the case of the GE/Macy's Accounts or the Third Cut-Off Time in the case of the May Accounts;

(3) all cash and cash equivalents on hand and cash and cash equivalents in bank accounts maintained by the Sellers or any of their Affiliates, other than in the Prime Securitization Bank Accounts;

(4) all insurance policies maintained by or for the benefit of the Sellers or any of their Affiliates and all claims accrued thereunder;

(5) all Intellectual Property Rights (including the FDS Licensed Marks), other than Transferred Intellectual Property;

(6) all FDS Assets, GE/Macy's Assets and May Assets sold or otherwise disposed of, and FDS Assets, GE/Macy's Assets and May Assets otherwise becoming no longer a part of the Acquired Assets and Stock, in each case without violation of this Agreement;

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(7) all assets relating to the employee benefit agreements, plans or other arrangements of the Sellers and their Subsidiaries;

(8) all rights, claims, credits or other rights to payment, causes of action, or rights of set-off against third parties, other than those referred to in clause (13) of the definition of FDS Assets, clause (10) of the definition GE/Macy's Assets, and clause (10) of the definition of May Assets;

(9) the Constituent Documents of FDS Bank and May Bank;

(10) all licenses, permits or other authorizations of any Governmental Authorities held or used by the Sellers and their Affiliates, whether or not related to or used in the Business;

(11) all interests in real property of the Sellers and their Affiliates, whether or not related to or used in the Business;

(12) all tangible personal property of the Sellers and their Affiliates, whether or not related to or used in the Business;

(13) all right, title and interest of the Sellers and their Affiliates in and to any and all other assets and properties, of any kind whatsoever, that are not used in the conduct of the Business;

(14) all FDS Shopper Data (whether or not any portion thereof is duplicated in the Transferred Intellectual Property (and without limiting the Purchaser's rights to the Transferred Intellectual Property pursuant to this Agreement and the Program Agreement));

(15) all current Taxes receivable, deferred Tax assets and prepaid Taxes, Tax payments due from Affiliates, and entitlements to

refunds or credits for overpayment of Taxes, all to the extent set forth in Article XI;

(16) all Charged Off Accounts;

(17) all amounts owing to the Sellers from the Cardholders with respect to Charged Off Accounts; and

(18) all Interchange Fees relating to the Charged Off Accounts.

Except in the case of any assets described in clause (15) above, the term "Excluded Assets" does not include any of the foregoing to the extent owned or held by Prime.

"Excluded Liabilities" means Liabilities of the Sellers or their Affiliates (or any of their respective predecessors), or GE Bank or its Affiliates (or any of their respective predecessors) with respect to the GE/Macy's Assets, or May Co. or its Affiliates (or any of their respective predecessors) with respect to the May Assets, of any kind whatsoever,

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other than the Assumed Liabilities, whether presently in existence or arising hereafter, including:

(1) all Liabilities for Taxes (i) with respect to the FDS Assets, Prime, the Master Trusts or the Business for any period (or portion thereof, in the case of a Straddle Period) ending on or prior to the First Closing Date, (ii) with respect to the GE/Macy's Assets for any period (or portion thereof, in the case of a Straddle Period) ending on or prior to the Second Closing Date, and (iii) with respect to the May Assets for any period (or portion thereof, in the case of a Straddle Period) ending on or prior to the Third Closing Date;

(2) all Liabilities of the Sellers or their Affiliates relating to the Employees, or any current or former employees, officers or directors of the Sellers or their Affiliates;

(3) all Liabilities to the extent related to or arising from any Excluded Asset;

(4) all Liabilities (except for Taxes described in clause (1) above) related to, associated with or arising out of any action, claim, suit or proceeding or otherwise arising out of or relating to the operation of the Business or the FDS Assets prior to the First Closing, whether such action, claim, suit or proceeding is brought, or such Liability becomes payable, prior to, on or after the First Closing;

(5) all Liabilities (except for Taxes described in clause (1) above) related to, associated with or arising out of any action, claim, suit or proceeding or otherwise arising out of or relating to the operation of the GE/Macy's Assets prior to the Second Closing, whether such action, claim, suit or proceeding is brought, or such Liability becomes payable, prior to, on or after the Second Closing Date;

(6) all Liabilities (except for Taxes described in clause (1) above) related to, associated with or arising out of any action, claim, suit or proceeding or otherwise arising out of or relating to the operation of the May Assets prior to the Third Closing, whether such action, claim, suit or proceeding is brought, or such Liability becomes payable, prior to, on or after the Third Closing Date;

(7) all loan loss reserves maintained by the Sellers and their Affiliates in respect of (i) the Accounts and (ii) the amounts owing in respect thereof from Cardholders;

(8) all legal, accounting, brokerage and finder's fees, if any, or other fees and expenses incurred by any of the Sellers in connection with this Agreement or the consummation of the

transactions contemplated hereby;

(9) all Liabilities related to, associated with or arising out of any employee benefit plans, programs, agreements or arrangements sponsored or maintained by the Sellers or their Affiliates, or with respect to which the Sellers or their Affiliates have any obligation; and

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(10) all Liabilities from Loyalty Programs (as defined in the Program Agreement) arising out of all sales to Cardholders or authorized users of (i) Charged Off Accounts, (ii) FDS Accounts through the First Cut-Off Time Date, (iii) GE/Macy's Accounts through the Second Cut-Off Time Date, and (iv) May Accounts through the Third Cut-Off Time Date.

Except in the case of Tax Liabilities described in clause (1) hereof and in the definition of Prime Excluded Taxes, the term "Excluded Liabilities" does not include any Liabilities of Prime.

"Federal Funds Rate" means the offered rate as reported in The Wall Street Journal in the "Money Rates" section for reserves traded among commercial banks for overnight use in amounts of one million dollars (\$1,000,000) or more or, if no such rate is published for a day, the rate published for the preceding Business Day, calculated on a daily basis based on a 365 day year.

"FDS Account" means any Credit Card Account that exists and is owned by FDS or one of its Subsidiaries as of the First Cut-Off Time, other than (i) a GE/Macy's Account or a May Account and (ii) any Credit Card Account that, as of the First Cut-Off Time, has been (or should have been) charged off in accordance with the Sellers' standard policies and procedures as in effect on the date of this Agreement.

"FDS Assets" means all right, title and interest of the Sellers in and to the following assets, properties and rights:

(1) the FDS Accounts;

(2) the Gross Receivables (other than Prime Securitization Receivables) on the FDS Accounts as of the First Cut-Off Time;

(3) all Interchange Fees relating to the FDS Accounts and payable with respect to transactions occurring after the First Cut-Off Time;

(4) the applications for FDS Accounts pending and solicitations for FDS Accounts outstanding;

(5) the Account Agreements for the FDS Accounts;

(6) the FDS Cardholder List;

(7) the portion of the Master File, as of the First Cut-Off Time, applicable to the FDS Accounts;

(8) the Prime Securitization Assets;

(9) all rights of the Sellers arising under the Assigned Contracts in respect of periods on or after the First Closing;

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(10) the Books and Records (if any), other than Books and Records that relate principally to the GE/Macy's Accounts or the May Accounts;

(11) FDS Bank's ICA numbers and bank identification numbers (BINs);

(12) all inventories and other goods and supplies in stock and used or held for use by the Sellers and their Affiliates in

connection with the FDS Accounts, including plastics, applications, and periodic statements; and

(13) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (12) above, in each case, arising upon or after the First Closing.

The term "FDS Assets" does not include any of the foregoing to the extent owned or held by Prime.

"FDS Cardholder List" means a list, as of the First Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the FDS Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

"FDS Liabilities" means the following Liabilities of the Sellers:

(1) except for the obligations of Prime, which shall be retained by Prime and transferred pursuant to this Agreement together with the Prime Stock, all of the obligations of the Sellers, as servicer or in any other capacity, to the Prime Master Trust and under any Prime Securitization Documents;

(2) all obligations of the Sellers arising under the Assigned Contracts in respect of periods on or after the First Closing (excluding any obligations to the extent related to any breach or default by any Seller under any Assigned Contract occurring prior to the First Closing);

(3) all Liabilities for Taxes relating to the FDS Assets or the Business for any period (or portion thereof, in the case of a Straddle Period) beginning after the First Closing Date (other than any Liabilities for Taxes in respect of the GE/Macy's Assets or the May Assets);

(4) all Liabilities to the extent related to, associated with or arising out of the FDS Assets or the operation of the Business by the Purchaser and its Affiliates (other than with respect to the GE/Macy's Assets or the May Assets), in each case from and after the First Closing Date;

(5) from and after the First Closing, all obligations to FDS Account Cardholders in their capacity as such or to perform under Account Agreements for the FDS Accounts, including payment of credit balances (excluding any such

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obligations to the extent related to any breach or default by the Sellers prior to the First Closing);

(6) all fees, operating assessments and other charges relating to the FDS Accounts that are incurred or accrue on or after the First Closing Date (including fees, assessments and other charges of the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in this Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements); and

(7) all obligations of the Sellers to perform from and after the First Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the FDS Accounts.

The term "FDS Liabilities" does not include any Liabilities of Prime.

"FDS Licensed Marks" has the meaning set forth in the Program Agreement.

"FDS Purchase Price" means the purchase price payable in accordance

with the Final First Closing Statement, as finally determined in accordance with Section 2.3.

"FDS Shopper Data" has the meaning set forth in the Program Agreement.

"Final First Closing Statement" means a statement prepared by FDS substantially in the form of Schedule 1.1(b)(1), showing in reasonable detail FDS's calculation of the FDS Purchase Price, based on the data available as of the First Cut-Off Time.

"Final Second Closing Statement" means a statement prepared by FDS, substantially in the form of Schedule 1.1(b)(2), showing in reasonable detail FDS's calculation of the GE/Macy's Purchase Price, based on the data available as of the Second Cut-Off Time.

"Final Third Closing Statement" means a statement prepared by FDS, substantially in the form of Schedule 1.1(b)(3), or such other statement as may be prepared pursuant to Section 6.16, in each case, showing in reasonable detail FDS's calculation of the May Purchase Price, based on the data available as of the Third Cut-Off Time.

"First Cut-Off Time" means 11:59 P.M. Eastern time on the Saturday immediately preceding the First Closing Date.

"First Instrument of Assignment and Assumption" means the Instrument of Assignment and Assumption in the form attached as Annex B, to be entered into at the First Closing.

"Fiscal Month" has the meaning set forth in the Program Agreement.

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"GAAP" means generally accepted accounting principles in the United States, consistently applied.

"GE Bank" means GE Capital Consumer Card Co., an Ohio banking corporation.

"GE/Macy's Account" means a Credit Card Account owned by GE Bank or one of its Affiliates as of the Second Cut-Off Time and governed by the GE/Macy's Program Agreement that exists as of the Second Cut-Off Time, other than (i) a May Account and (ii) any Credit Card Account that, as of the Second Cut-Off Time, has been (or should have been) charged off in accordance with the standard policies and procedures of GE Bank as in effect as of the date of this Agreement.

"GE/Macy's Assets" means all right, title and interest of the Sellers in and to the following assets, properties and rights:

- (1) the GE/Macy's Accounts;
- (2) the Gross Receivables on the GE/Macy's Accounts as of the Second Cut-Off Time;
- (3) all Interchange Fees relating to the GE/Macy's Accounts and payable with respect to transactions occurring after the Second Cut-Off Time;
- (4) the applications for GE/Macy's Accounts pending and solicitations for GE/Macy's Accounts outstanding (if any);
- (5) the Account Agreements for the GE/Macy's Accounts;
- (6) the GE/Macy's Cardholder List;
- (7) the portion of the Master File, as of the Second Cut-Off Time, applicable to the GE/Macy's Accounts;
- (8) the Books and Records that relate to the GE/Macy's Accounts (if any);
- (9) all inventories and other goods and supplies in stock and

used or held for use by the Sellers and their Affiliates in connection with the GE/Macy's Accounts, including plastics, applications, and periodic statements; and

(10) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (9) above, in each case, arising upon or after the Second Closing.

"GE/Macy's Cardholder List" means a list, as of the Second Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the GE/Macy's Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

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"GE/Macy's Liabilities" means the following Liabilities of the Sellers:

(1) all Liabilities for Taxes relating to the GE/Macy's Assets for any period (or portion thereof, in the case of a Straddle Period) beginning after the Second Closing Date;

(2) from and after the Second Closing, all obligations to GE/Macy's Account Cardholders in their capacity as such or to perform under Account Agreements for the GE/Macy's Accounts, including payment of credit balances (excluding any such obligations to the extent related to any breach or default by the Sellers or GE Bank prior to the Second Closing);

(3) all fees, operating assessments and other charges relating to the GE/Macy's Accounts that are incurred or accrue on or after the Second Closing Date (including fees, assessments and other charges of the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in this Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements);

(4) all obligations of the Sellers to perform from and after the Second Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the GE/Macy's Accounts; and

(5) all Liabilities to the extent related to, associated with or arising out of the GE/Macy's Assets or the operation of the Business by the Purchaser or its Affiliates with respect to the GE/Macy's Assets, in each case from and after the Second Closing.

"GE/Macy's Program Agreement" means the Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, by and among GE Capital Consumer Card Co., FDS, and the other parties thereto, as amended, restated or otherwise modified from time to time.

"GE/Macy's Purchase Price" means the purchase price payable in accordance with the Final Second Closing Statement, as finally determined in accordance with Section 3.3.

"Governmental Authority" means any domestic or foreign governmental, regulatory or self-regulatory authority, agency, court, tribunal, commission or other governmental, regulatory or self-regulatory entity exercising legislative, judicial, regulatory or administrative functions.

"Gross Receivables" means amounts owing (net of credit balances) to the Sellers from Cardholders with respect to Accounts (including outstanding loans, cash advances, balance consolidation receivables and other extensions of credit, accrued finance charges and late charges, whether or not posted, and any other accrued fees, charges and interest assessed on such Accounts, whether or not posted).

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"HSR Act" means the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended.

"Intellectual Property Right" means any intellectual property right, including any trademark, service mark or other source indicator and all goodwill associated therewith, invention, patent, copyright, confidential or proprietary information (including trade secret and know-how) and any registration or application for registration of any of the foregoing.

"Interchange Fees" means the fees paid or payable in connection with the exchange of credit card transactions between members of the applicable Card Association pursuant to the applicable by-laws, rules and regulations of such Card Association.

"Knowledge" means, with respect to the Sellers, the actual knowledge of the persons named on Schedule 1.1(c)(1) hereto and, with respect to the Purchaser, the actual knowledge of the persons named on Schedule 1.1(c)(2) hereto, in each case after reasonable inquiry.

"Liability" means any debt, liability, commitment, obligation, claim or cause of action of any kind whatsoever, whether due or to become due, known or unknown, accrued or fixed, absolute or contingent, or otherwise.

"Lien" means, with respect to any property, any lien, security interest, mortgage, pledge, charge, encumbrance, adverse claim, reversion, reverter or restriction of any kind relating to that property, including the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property.

"Master File" means the master file maintained by FDS Bank and its Affiliates with respect to the Accounts, including identification and other customer data and Account information, the names and addresses of Cardholders with respect to the Accounts and any and all Account adjustments made by or on behalf of the Sellers in the form attached hereto as Schedule 1.1(d).

"Master Trusts" means the collective reference to the Prime Master Trust and the Prime II Master Trust.

"Material Adverse Effect" means:

(a) with respect to the Business (or the Acquired Assets and Stock), any change, event or effect that is materially adverse to the assets, the results of operations or financial condition of the Business (or the Acquired Assets and Stock), taken as a whole, excluding any effect or change attributable to or resulting from (1) economic, business or financial conditions generally or events affecting the credit card services or consumer credit business, the banking or financial services industry or the retail department store industry to the extent such events or conditions do not have a disproportionate effect on the Business (or the Acquired Assets and Stock) relative to other entities operating businesses similar to the Business (or the Acquired Assets and Stock), (2) financial market conditions, including interest rates or changes therein, (3)

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changes in laws, GAAP or regulatory accounting principles, (4) any action, omission, change, effect, circumstance or condition contemplated by this Agreement, or attributable to the signing and announcement of this Agreement with the Purchaser or the transactions contemplated by this Agreement and the Ancillary Agreements, or (5) any actions or omissions required by the terms of this Agreement or the Ancillary Agreements or any action taken or not taken at the request or direction of the other party or parties hereto; and/or

(b) with respect to the Sellers or the Purchaser, a material impairment of the ability of the relevant Person or Persons to perform its or their material obligations under this Agreement or the Ancillary Agreements on a timely basis.

"May Account" means a Credit Card Account owned by FDS or a

Subsidiary of FDS prior to the Third Closing and associated with a retail division of May Co. as conducted as of the closing of May Merger (or a successor to such business as conducted by FDS and its Subsidiaries following the May Merger) that exists as of the Third Cut-Off Time, other than any Credit Card Account that, as of the Third Cut-Off Time, has been (or should have been) charged off in accordance with May Bank's or the Sellers' standard policies and procedures as in effect on the date of this Agreement.

"May Assets" means all right, title and interest of the Sellers in and to the following assets, properties and rights:

- (1) the May Accounts;
- (2) the Gross Receivables on the May Accounts as of the Third Cut-Off Time;
- (3) all Interchange Fees relating to the May Accounts and payable with respect to transactions occurring after the Third Cut-Off Time;
- (4) the applications for May Accounts pending and solicitations for May Accounts outstanding (if any);
- (5) the Account Agreements for the May Accounts;
- (6) the May Cardholder List;
- (7) the portion of the Master File, as of the Third Cut-Off Time, applicable to the May Accounts;
- (8) the Books and Records that relate to the May Accounts (if any);
- (9) all inventories and other goods and supplies in stock and used or held for use by the Sellers and their Affiliates in connection with the May Accounts, including plastics, applications, and periodic statements; and

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- (10) all rights, claims, credits, causes of action or rights of set-off against third parties relating principally to the assets listed in clauses (1) through (9) above, in each case, arising upon or after the Third Closing.

"May Bank" means May National Bank of Ohio.

"May Cardholder List" means a list, as of the Third Cut-Off Time, of the names, addresses, telephone numbers and taxpayer identification numbers and social security numbers of all Cardholders with respect to the May Accounts as and to the extent maintained by FDS or any of its Subsidiaries.

"May Co." means The May Department Stores Company, a Delaware corporation.

"May Liabilities" means the following Liabilities of the Sellers:

- (1) all Liabilities for Taxes relating to the May Assets for any period (or portion thereof, in the case of a Straddle Period) beginning after the Third Closing Date;
- (2) from and after the Third Closing, all obligations to May Account Cardholders in their capacity as such or to perform under Account Agreements for the May Accounts, including payment of credit balances (excluding any such obligations to the extent related to any breach or default by the Sellers or its Affiliates prior to the Third Closing);
- (3) all fees, operating assessments and other charges relating to the May Accounts that are incurred or accrue on or after the Third Closing Date (including fees, assessments and other charges of

the Card Associations relating to the Accounts, but excluding (except as otherwise expressly provided in this Agreement) all obligations to the Card Associations arising out of or relating to the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements);

(4) all obligations of the Sellers to perform from and after the Third Closing under the applicable by-laws, rules and regulations of the Card Associations with respect to the May Accounts; and

(5) all Liabilities to the extent related to, associated with or arising out of the May Assets or the operation of the Business by the Purchaser or its Affiliates with respect to the May Assets, in each case from and after the Third Closing.

"May Merger" means the merger of May Co. with and into Milan Acquisition Corp., a Subsidiary of FDS, pursuant to the Agreement and Plan of Merger, dated as of February 27, 2005, by and among FDS, Milan Acquisition Corp. and May Co., as amended or otherwise modified from time to time.

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"May Purchase Price" means the purchase price payable in accordance with the Final Third Closing Statement, as finally determined in accordance with Section 3.3.

"Permissible Liens" means Liens (i) for Taxes, assessments and other governmental charges or levies (1) not yet due or (2) which are being contested in good faith by appropriate action and as to which adequate reserves for contested amounts have been set aside in accordance with GAAP or (ii) created under the Securitization Documents.

"Person" means any individual, corporation, business trust, partnership, association, limited liability company or similar organization, or any Governmental Authority.

"Previously Disclosed" means, with respect to the Sellers or the Purchaser, information set forth in the Schedules, whether in response to an express informational requirement or as an exception to one or more specified representations or covenants.

"Prime Excluded Taxes" means all:

(1) Taxes imposed on or payable by Prime as a result of the Section 338(h)(10) Election;

(2) Taxes imposed on any member of an affiliated, consolidated, combined or unitary group of which Prime is or was a member on or prior to the First Closing Date, including pursuant to Treasury Regulation Section 1.1502-6; and

(3) Taxes imposed on or payable by the Purchaser or any of its Affiliates (including Prime and the Prime Master Trust) as a result of (a) a breach of the representation set forth in Section 5.1(o)(2) that is not attributable to an action by the Purchaser or any of its Affiliates on or after the First Closing Date or (b) a breach by FDS of the covenant set forth in Section 11.6(a).

"Prime Securitization Assets" means the collective reference to (i) any certificate or interest in the Prime Master Trust retained by FDS or any of its Subsidiaries; (ii) all right, title and interest of each of the Sellers in the Prime Securitization Bank Accounts; (iii) all right, title and interest of each of the Sellers in and to the Prime Securitization Receivables; and (iv) all other rights, title and interests of each of the Sellers and their Subsidiaries under each of the Prime Securitization Documents, in each case, other than the Prime Securitization Interests.

"Prime Securitization Bank Accounts" means any spread account, reserve account, collection account, principal funding account or other similar accounts created pursuant to the Prime Securitization Documents, including the bank accounts listed on Schedule 1.1(e).

"Prime Securitization Documents" means the Prime Pooling and Servicing Agreement and the other documents designated as such on Schedule 1.1(f).

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"Prime Securitization Interests" means the interests in the Prime Securitization Assets held by Prime, including its interest in any transferor certificate or investor certificates retained or acquired by it, and the rights and obligations of Prime in its capacity as transferor under the Prime Securitization Documents.

"Prime Securitization Receivables" means, as of any date, the Gross Receivables that have been transferred to the Prime Master Trust and that have not been reassigned to the transferor under the Prime Pooling and Servicing Agreement.

"Prime Stock" means all of the outstanding shares of Prime Common Stock as of the First Closing Date.

"Prime II Securitization Documents" means the Prime II Pooling and Servicing Agreement and the other documents designated as such on Schedule 1.1(g).

"Prime II Securitization Receivables" means, as of any date, the Gross Receivables that have been transferred to the Prime II Master Trust and that have not been reassigned to the transferor under the Prime II Pooling and Servicing Agreement.

"Purchase Price" means the sum of the FDS Purchase Price, the GE/Macy's Purchase Price and the May Purchase Price.

"Requirement of Law" means, with respect to any Person, any law, ordinance, statute, order, treaty, rule or regulation or determination of an arbitrator or of a Governmental Authority, in each case binding on that Person or its property.

"Required Amendments and Confirmations" means all amendments to the Prime Securitization Documents in a form reasonably acceptable to the parties and the receipt of any consent required by any rating agency in order to consummate the transactions contemplated hereby without violation of the terms of any Prime Securitization Document.

"Requisite Regulatory Approvals" means the consents, registrations, approvals, permits or authorizations designated as such in the Schedule 5.1(c) with respect to the Sellers and Schedule 5.2(c) with respect to the Purchaser.

"Second Cut-Off Time" means 11:59 P.M. Eastern time on the Saturday immediately preceding the Second Closing Date.

"Second Instrument of Assignment and Assumption" means the Instrument of Assignment and Assumption in the form attached as Annex C, to be entered into at the Second Closing.

"Securitization Documents" means the collective reference to the Prime Securitization Documents and the Prime II Securitization Documents.

"Securitization Receivables" means, as of any date, the collective reference to the Prime Securitization Receivables and the Prime II Securitization Receivables.

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"Sellers" means the collective reference to FDS, FDS Bank and Prime II; provided that with respect to the Second Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith) and the Third Purchase and Assumption (and the obligations and conditions to be satisfied in connection therewith), the "Sellers" shall mean FDS and FDS Bank.

"Servicer" means FDS, acting in its capacity as servicer, or any

successor servicer, under and pursuant to the Prime Pooling and Servicing Agreement.

"Servicer Default" has the meaning ascribed to such term in the Prime Pooling and Servicing Agreement.

"Straddle Period" means any taxable period beginning on or before and ending after the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable.

"Subsidiary" when used with respect to any Person, means another Person, where an amount of the voting securities, or other voting ownership or voting partnership interests of the second Person sufficient to elect at least a majority of its board of directors or similar governing body (or if there are not such voting interests, fifty percent (50%) or more of the equity interest of which) is owned directly or indirectly by the first Person or by another Subsidiary of the first Person.

"Tax Return" means any return, declaration, report or similar statement required to be filed with respect to any Taxes (including any attached schedules) including any information return, claim for refund, amended return and declaration of estimated Tax.

"Taxes" means any income, alternative or add-on minimum tax, gross receipts, sales, use, transfer, gains, ad valorem, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Authority responsible for the imposition of any such tax (domestic or foreign).

"Termination Fee" means the amount designated as such on Schedule 1.1(h).

"Third Cut-Off Time" means 11:59 P.M. Eastern time on the Saturday immediately preceding the Third Closing Date.

"Third Instrument of Assignment and Assumption" means the Instrument of Assignment and Assumption in the form attached as Annex D, to be entered into at the Third Closing.

"Transferred Intellectual Property" means all rights to the FDS Cardholder List, the GE/Macy's Cardholder List, the May Cardholder List and the Master File (in each case, subject to the restrictions set forth in the Program Agreement).

(b) Each of the following terms is defined in the section of this Agreement set forth opposite such term:

<TABLE>
<CAPTION>

Term	Section
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<S>	<C>
Actions.....	6.11(a)
Accountant.....	2.3(c)
Adverse Development.....	5.1(m)
Agreement.....	Preamble
CEBA Bank.....	Recitals
CEBA Capital Stock.....	5.2(n)
CEBA Equity Interests.....	6.14(c)
Confidentiality Agreements.....	6.3(c)
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Exchange Act.....	5.1(e)
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FDS Account Assets.....	11.6(b)
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FDS Bank.....	Preamble

FDS Confidentiality Agreement.....	6.3(c)
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First Closing Allocation.....	11.6(b)
First Closing Date.....	2.4(a)
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Indemnified Party.....	12.4(a)
Indemnifying Party.....	12.4(a)
Interim Services.....	6.17
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May Account Assets.....	11.6(e)
May Business.....	6.1(b)
May Confidentiality Agreement.....	6.3(c)
Minimum FDS Allocation.....	11.6(b)
Minimum GE/Macy's Allocation.....	11.6(d)
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OCC.....	10.4(b)
Pooling and Servicing Agreements.....	Recitals
Prime.....	Recitals
Prime Allocation.....	11.6(c)
Prime Common Stock.....	5.1(q)
Prime Master Trust.....	Recitals
Prime Pooling and Servicing Agreement.....	Recitals
Prime II.....	Preamble

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Term	Section
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<S>	<C>
Prime Stock Amount.....	11.6(b)
Prime II Master Trust.....	Recitals
Prime II Pooling and Servicing Agreement.....	Recitals
Program Agreement.....	Recitals
Purchaser.....	Preamble
SEC.....	5.1(e)
SEC Documents.....	5.1(e)
Second Closing.....	3.4(a)
Second Closing Allocation.....	11.6(d)
Second Closing Date.....	3.4(a)
Second Purchase and Assumption.....	3.4(a)
Section 338(h)(10) Election.....	11.6(a)
Securities Act.....	5.1(e)
Servicer Default or Termination.....	5.1(m)
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Tax Contest.....	11.8
Third Closing.....	4.4(a)
Third Closing Allocation.....	11.6(e)
Third Closing Date.....	4.4(a)
Third Purchase and Assumption.....	4.4(a)

</TABLE>

SECTION 1.2. Interpretation.

(a) In this Agreement, unless the context otherwise requires, references to:

(1) the Preamble or the Recitals, Sections, Annexes or Schedules refer to the Preamble or a Recital or Section of, or Annex or Schedule to, this Agreement;

(2) any Contract (including this Agreement) refer to the Contract as amended, modified, supplemented or replaced from time to time, in a manner permitted by this Agreement;

(3) any statute or regulation refer to the statute or regulation as amended, modified, supplemented or replaced from time

to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and to any section of any statute or regulation include any successor to the section;

(4) any Governmental Authority include any successor to the Governmental Authority; and

(5) this Agreement are to this Agreement and the Schedules to it.

(b) The table of contents and headings contained in this Agreement are for reference purposes only and do not limit or otherwise affect any of the provisions of this Agreement.

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(c) The references to "Second Closing and "Third Closing" and similar terms are not intended to dictate the order in which the events referred to using those terms must occur. The Third Closing may occur prior to the Second Closing.

(d) Whenever the word "include," "includes" or "including" is used in this Agreement, it shall be deemed to be followed by the words "without limitation."

(e) This Agreement is the product of negotiation by the parties having the assistance of counsel and other advisers. It is the intention of the parties that this Agreement not be construed more strictly with regard to one party than with regard to any other.

ARTICLE II FIRST CLOSING, PURCHASE, SALE AND ASSUMPTION

SECTION 2.1. Purchase and Sale of FDS Assets and the Prime Stock. On the terms and subject to the conditions of this Agreement, at the First Closing and effective from and after the First Closing Date, the Sellers shall sell, convey and assign (or cause their Subsidiaries to sell, convey and assign) to the Purchaser, free and clear of all Liens, except Permissible Liens, and the Purchaser shall purchase, the FDS Assets and the Prime Stock. Immediately following receipt of the FDS Assets and the Prime Stock, the Purchaser shall transfer, contribute or otherwise assign the FDS Assets and the Prime Stock to CEBA Bank.

SECTION 2.2. Assumption of FDS Liabilities. On the terms and subject to the conditions of this Agreement, at the First Closing and effective from and after the First Closing Date, the Purchaser shall assume, pay, defend, discharge and perform as and when due the FDS Liabilities. Immediately following its assumption of the FDS Liabilities, the Purchaser shall cause CEBA Bank to assume the FDS Liabilities. The Excluded Liabilities shall be retained by the Sellers and their Affiliates, as applicable. The GE/Macy's Liabilities shall be retained by the Sellers and their Affiliates, as applicable, until the Second Closing. The May Liabilities shall be retained by the Sellers and their Affiliates (or May Co. and its Affiliates), as applicable, until the Third Closing.

SECTION 2.3. FDS Purchase Price; FDS Purchase Price Adjustment.

(a) On the second Business Day before the First Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Estimated First Closing Statement reflecting the Sellers' good faith calculation of the Estimated FDS Purchase Price to be paid by the Purchaser at the First Closing.

(b) Within forty-five (45) days after the First Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Final First Closing Statement prepared based on the information in the Master File, other than information relating to the GE/Macy's Accounts, as of the First Cut-Off Time and copies of the Master File, other than information relating to the GE/Macy's Accounts, as of the First Cut-Off Time.

(c) The Purchaser shall, within forty-five (45) days after receipt of the Final First Closing Statement, advise the Sellers in writing and in reasonable detail if it believes that the

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Final First Closing Statement did not accurately reflect the items required to be included therein in accordance with the provisions of this Agreement and Schedule 1.1(b)(1) hereto, in each case stating in reasonable detail the basis of its belief. In the event the Purchaser delivers such an objection, the Sellers and the Purchaser shall attempt in good faith to resolve their differences. In the event all differences are not resolved within sixty (60) days following receipt of the Final First Closing Statement by the Purchaser, then the issues remaining unresolved shall be determined by Deloitte Touche Tohmatsu (the "Accountant"). The Accountant shall resolve all disputed items in accordance with the provisions of this Agreement. In making its determination, the Accountant may only consider those items and amounts as to which the Purchaser and the Sellers have disagreed within the time periods and on the grounds specified. The Accountant's determination shall be conclusive and binding on the Purchaser and the Sellers absent manifest error. The fees of the Accountant shall be shared by the Purchaser and the Sellers in proportion to the relative differences between their respective calculations of the FDS Purchase Price and the amount determined by the Accountant.

(d) If the Estimated FDS Purchase Price exceeds the FDS Purchase Price, then FDS, on behalf of the Sellers, shall, within five (5) Business Days after the FDS Purchase Price has been finally determined pursuant to Section 2.3(c), pay such excess (plus the amount of interest on such excess calculated in accordance with item 7 of the Estimated First Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to the Purchaser, together with interest on the foregoing amount for the period from and including the First Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. If the Estimated FDS Purchase Price is less than the FDS Purchase Price, then the Purchaser shall, within five (5) Business Days after the FDS Purchase Price has been finally determined pursuant to Section 2.3(c), pay such deficiency (plus the amount of interest on such deficiency calculated in accordance with item 7 of the Estimated First Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to FDS on behalf of the Sellers, together with interest on the foregoing amount for the period from and including the First Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. Each party to this Agreement shall make available to the other parties, and to the Accountant, its and its accountants work papers (to the extent possible), schedules and other supporting data as may be reasonably requested by such other parties to enable them to verify the amounts set forth in the Final First Closing Statement.

SECTION 2.4. The First Closing.

(a) The closing (the "First Closing") of the purchase and sale of the FDS Assets and the Prime Stock and the assumption of the FDS Liabilities hereunder (collectively, the "First Purchase and Assumption") shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on the first Business Day of the Fiscal Month after the Fiscal Month in which the last of the conditions set forth in Article VII (other than conditions relating solely to the delivery of documents to be dated the First Closing Date) has been satisfied or waived in accordance with the terms of this Agreement or at such other date or location as the parties hereto jointly designate in writing (the "First Closing Date").

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(b) At the First Closing, the Purchaser shall, and the Sellers shall and shall cause Prime to, deliver or cause to be delivered to each other (i) instruments of sale, assignment, transfer and conveyance of the FDS Assets, the Prime Stock and the FDS Liabilities, respectively (which shall be the First Instrument of Assignment and Assumption), (ii) a receipt for the FDS Purchase Price, and (iii) such other instruments as are necessary or appropriate to reflect any alternative arrangements described in Section 6.15, in each case, appropriately executed by the Sellers and the Purchaser.

(c) At the First Closing, the Purchaser shall pay the Estimated FDS Purchase Price (plus the amount of any interest thereon as set forth on and calculated in accordance with item 7 of the Estimated First Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) prior to 11:00 A.M. Eastern time on the First Closing Date to an account specified by FDS at least three (3) Business Days prior to the First Closing Date.

(d) Immediately following the First Closing, the Purchaser shall cause CEBA Bank to issue to FDS Bank (or its assignee), and FDS Bank (or its assignee) shall purchase, the CEBA Equity Interests, for a purchase price equal to one hundred dollars (\$100) payable by wire transfer of immediately available funds to an account or accounts specified by the Purchaser at least three (3) Business Days prior to the First Closing Date.

ARTICLE III
SECOND CLOSING, PURCHASE, SALE AND ASSUMPTION

SECTION 3.1. Purchase and Sale of the GE/Macy's Assets. On the terms and subject to the conditions of this Agreement, at the Second Closing and effective from and after the Second Closing Date, the Sellers shall sell, convey and assign (or cause their Subsidiaries to sell, assign or convey) to Purchaser, free and clear of all Liens, except Permissible Liens, the GE/Macy's Assets, and the Purchaser shall purchase the GE/Macy's Assets. Immediately following receipt of the GE/Macy's Assets, the Purchaser shall transfer, contribute or otherwise assign the GE/Macy's Assets to CEBA Bank.

SECTION 3.2. Assumption of the GE/Macy's Liabilities. On the terms and subject to the conditions of this Agreement, at the Second Closing and effective from and after the Second Closing Date, the Purchaser shall assume, pay, defend, discharge and perform as and when due the GE/Macy's Liabilities. Immediately following its assumption of the GE/Macy's Liabilities, the Purchaser shall cause CEBA Bank to assume the GE/Macy's Liabilities. The Excluded Liabilities shall be retained by the Sellers and their Affiliates or GE Bank and their Affiliates, as applicable. The May Liabilities shall be retained by the Sellers and their Affiliates, as applicable, until the Third Closing.

SECTION 3.3. GE/Macy's Purchase Price; GE/Macy's Purchase Price Adjustment.

(a) On the second Business Day before the Second Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Estimated Second Closing Statement reflecting the

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Sellers' good faith calculation of the Estimated GE/Macy's Purchase Price to be paid by the Purchaser at the Second Closing.

(b) Within forty-five (45) days after the Second Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Final Second Closing Statement prepared based on the information in the Master File with respect to the GE/Macy's Accounts as of the Second Cut-Off Time and copies of the Master File with respect to the GE/Macy's Accounts as of the Second Cut-Off Time.

(c) The Purchaser shall, within forty-five (45) days after receipt of the Final Second Closing Statement, advise the Sellers in writing and in reasonable detail if it believes that the Final Second Closing Statement did not accurately reflect the items required to be included therein in accordance with the provisions of this Agreement and Schedule 1.1(b)(2) hereto, in each case stating in reasonable detail the basis of its belief. In the event the Purchaser delivers such an objection, the Sellers and the Purchaser shall attempt in good faith to resolve their differences. In the event all differences are not resolved within sixty (60) days following receipt of the Final Second Closing Statement by the Purchaser, then the issues remaining unresolved shall be determined by the Accountant. The Accountant shall resolve all disputed items in accordance with the provisions of this Agreement. In making its determination, the Accountant may only consider those items and amounts as to which the Purchaser and the Sellers have disagreed within the time periods and on the grounds specified. The Accountant's determination shall be conclusive and binding on the Purchaser and the Sellers absent manifest error. The fees of the Accountant shall be shared by the Purchaser and the Sellers in proportion to the relative differences between their respective calculations of the GE/Macy's Purchase Price and the amount determined by the Accountant.

(d) If the Estimated GE/Macy's Purchase Price exceeds the GE/Macy's Purchase Price, then FDS, on behalf of the Sellers, shall, within five (5) Business Days after the GE/Macy's Purchase Price has been finally determined pursuant to Section 3.3(c), pay such excess (plus the amount of interest on such excess calculated in accordance with item 5 of the Estimated Second Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to

the Purchaser, together with interest on the foregoing amount for the period from and including the Second Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. If the Estimated GE/Macy's Purchase Price is less than the GE/Macy's Purchase Price, then the Purchaser shall, within five (5) Business Days after the GE/Macy's Purchase Price has been finally determined pursuant to Section 3.3(c), pay such deficiency (plus the amount of interest on such deficiency calculated in accordance with item 5 of the Estimated Second Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to FDS on behalf of the Sellers, together with interest on the foregoing amount for the period from and including the Second Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. Each party to this Agreement shall make available to the other parties, and to the Accountant, its and its accountants work papers (to the extent possible), schedules and other supporting data as may be reasonably requested by such parties to enable them to verify the amounts set forth in the Final Second Closing Statement.

SECTION 3.4. The Second Closing.

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(a) The closing (the "Second Closing") of the purchase and sale of the GE/Macy's Assets and assumption of the GE/Macy's Liabilities hereunder (collectively, the "Second Purchase and Assumption") shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on the first Business Day of the Fiscal Month after the Fiscal Month in which the last of the conditions set forth in Article VIII (other than conditions relating solely to the delivery of documents to be dated the Second Closing Date) has been satisfied or waived in accordance with the terms of this Agreement or at such other date or location as the parties hereto jointly designate in writing (the "Second Closing Date"). The parties understand and intend that the Second Purchase and Assumption shall occur concurrently with the termination of the GE/Macy's Program Agreement.

(b) At the Second Closing, the Purchaser and the Sellers shall deliver or cause to be delivered to each other (i) instruments of sale, assignment, transfer and conveyance of the GE/Macy's Assets and the GE/Macy's Liabilities, respectively (which shall be the Second Instrument of Assignment and Assumption), (ii) a receipt for the GE/Macy's Purchase Price, and (iii) such other instruments as are necessary or appropriate to reflect any alternative arrangements described in Section 6.15, in each case, appropriately executed by the Sellers and the Purchaser.

(c) At the Second Closing, the Purchaser shall pay the Estimated GE/Macy's Purchase Price (plus the amount of any interest thereon as set forth on and calculated in accordance with item 5 of the Estimated Second Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) prior to 11:00 A.M. Eastern time on the Second Closing Date to an account or accounts specified by FDS at least three (3) Business Days prior to the Second Closing Date.

ARTICLE IV THIRD CLOSING, PURCHASE, SALE AND ASSUMPTION

SECTION 4.1. Purchase and Sale of the May Assets. On the terms and subject to the conditions of this Agreement, at the Third Closing and effective from and after the Third Closing Date, the Sellers shall or shall cause May Bank to sell, convey and assign to Purchaser, free and clear of all Liens, except Permissible Liens, the May Assets, and the Purchaser shall purchase the May Assets. Immediately following receipt of the May Assets, the Purchaser shall transfer, contribute or otherwise assign the May Assets to CEBA Bank.

SECTION 4.2. Assumption of the May Liabilities. On the terms and subject to the conditions of this Agreement, at the Third Closing and effective from and after the Third Closing Date, the Purchaser shall assume, pay, defend, discharge and perform as and when due the May Liabilities. Immediately following its assumption of the May Liabilities, the Purchaser shall cause CEBA Bank to assume the May Liabilities. The Excluded Liabilities shall be retained by the Sellers and their Affiliates, as applicable.

SECTION 4.3. May Purchase Price; May Purchase Price Adjustment.

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(a) On the second Business Day before the Third Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Estimated Third Closing Statement reflecting the Sellers' good faith calculation of the Estimated May Purchase Price to be paid by the Purchaser at the Third Closing.

(b) Within forty-five (45) days after the Third Closing, FDS, on behalf of the Sellers, shall deliver to the Purchaser the Final Third Closing Statement prepared based on the information in the Master File with respect to the May Accounts as of the Third Cut-Off Time and copies of the Master File with respect to the May Accounts as of the Third Cut-Off Time.

(c) The Purchaser shall, within thirty (30) days after receipt of the Final Third Closing Statement, advise the Sellers in writing and in reasonable detail if it believes that the Final Third Closing Statement did not accurately reflect the items required to be included therein in accordance with the provisions of this Agreement and Schedule 1.1(b)(3) hereto, in each case stating in reasonable detail the basis of its belief. In the event the Purchaser delivers such an objection, the Sellers and the Purchaser shall attempt in good faith to resolve their differences. In the event all differences are not resolved within forty-five (45) days following receipt of the Final Third Closing Statement by the Purchaser, then the issues remaining unresolved shall be determined by the Accountant. The Accountant shall resolve all disputed items in accordance with the provisions of this Agreement. In making its determination, the Accountant may only consider those items and amounts as to which the Purchaser and the Sellers have disagreed within the time periods and on the grounds specified. The Accountant's determination shall be conclusive and binding on the Purchaser and the Sellers absent manifest error. The fees of the Accountant shall be shared by the Purchaser and the Sellers in proportion to the relative differences between their respective calculations of the May Purchase Price and the amount determined by the Accountant.

(d) If the Estimated May Purchase Price exceeds the May Purchase Price, then FDS, on behalf of the Sellers, shall, within five (5) Business Days after the May Purchase Price has been finally determined pursuant to Section 4.3(c), pay such excess (plus the amount of interest on such excess calculated in accordance with item 5 of the Estimated Third Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to the Purchaser, together with interest on the foregoing amount for the period from and including the Third Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. If the Estimated May Purchase Price is less than the May Purchase Price, then the Purchaser shall, within five (5) Business Days after the May Purchase Price has been finally determined pursuant to Section 4.3(c), pay such deficiency (plus the amount of interest on such deficiency calculated in accordance with item 5 of the Estimated Third Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) to FDS on behalf of the Sellers, together with interest on the foregoing amount for the period from and including the Third Closing Date to but excluding the date of such payment at a rate per annum equal to the Federal Funds Rate. Each party to this Agreement shall make available to the other parties, and to the Accountant, its and its accountants work papers (to the extent possible), schedules and other supporting data as may be reasonably requested by such parties to enable them to verify the amounts set forth in the Final Third Closing Statement.

SECTION 4.4. The Third Closing.

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(a) The closing (the "Third Closing") of the purchase and sale of the May Assets and assumption of the May Liabilities hereunder (collectively, the "Third Purchase and Assumption") shall take place at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, or by facsimile transmission on a date specified by FDS (upon not less than ninety (90) days' prior written notice to the Purchaser) occurring no more than twelve (12) months following the date of the closing of the May Merger (and following the completion of reasonable due diligence as set forth in Section 6.16) and no earlier than the first Business Day of the Fiscal Month after the Fiscal Month in which the last of the conditions set forth in Article IX (other than conditions relating solely to the delivery of documents to be dated the Third Closing Date) has been satisfied or waived in accordance with the terms of this Agreement or at such other date or location as the parties hereto jointly designate in writing (the "Third Closing Date").

(b) At the Third Closing, the Purchaser and the Sellers shall deliver or cause to be delivered to each other (i) instruments of sale, assignment, transfer and conveyance of the May Assets and the May Liabilities, respectively (which shall be the Third Instrument of Assignment and Assumption), (ii) a receipt for the May Purchase Price, and (iii) such other instruments as are necessary or appropriate to reflect any alternative arrangements described in Section 6.15, in each case, appropriately executed by the Sellers and the Purchaser.

(c) At the Third Closing, the Purchaser shall pay the Estimated May Purchase Price (plus the amount of any interest thereon as set forth on and calculated in accordance with item 5 of the Estimated Third Closing Statement) by wire transfer of immediately available funds (in U.S. dollars) prior to 11:00 A.M. Eastern time on the Third Closing Date to an account or accounts specified by FDS at least three (3) Business Days prior to the Third Closing Date.

ARTICLE V REPRESENTATIONS OF THE PARTIES

SECTION 5.1. Representations of FDS. Except as Previously Disclosed against a specific representation and warranty set forth in this Section 5.1 and other than with respect to the May Assets and the May Liabilities, FDS represents to the Purchaser as follows:

(a) Existence and Authority. FDS Bank is a stock savings bank, duly organized, validly existing and in good standing under the laws of the United States of America. Each of FDS, Prime and Prime II is duly organized, validly existing and in good standing under its jurisdiction of organization. Each of the Sellers and Prime has the requisite power and authority to own the Acquired Assets and Stock owned by it and to carry on the Business as currently conducted by it, and is duly qualified to do business in each jurisdiction where the ownership or operation of the Acquired Assets and Stock owned or operated by it or the conduct of the Business conducted by it requires such qualification, except for any failure to have such authority or be so qualified that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(b) Authorization and Validity. Each Seller has the requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each of the

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Ancillary Agreements to which it is a party. Each of this Agreement and each Ancillary Agreement has been duly authorized by each Seller party thereto by all necessary corporate action. This Agreement has been duly executed and delivered by each Seller party hereto and each Ancillary Agreement has been, or shall have been at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly executed and delivered by each Seller party thereto. Assuming that this Agreement has been, and that the Ancillary Agreements have been or shall be on or prior to the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly authorized, executed and delivered by the Purchaser, this Agreement is, and the Ancillary Agreements are or shall be at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), the legal, valid and binding obligations of the Sellers party hereto and thereto, enforceable against such Sellers in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent transfer and other laws affecting creditors' rights generally and to general equitable principles.

(c) Governmental and Third-Party Consents. No notices, reports or other filings are required to be made by the Sellers or Prime with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Sellers or Prime from, any Governmental Authority or any other third party in connection with the execution, delivery or performance of this Agreement and the Ancillary Agreements by the Sellers or the consummation by them of the transactions contemplated by this Agreement or the Ancillary Agreements, except for (i) the Requisite Regulatory Approvals, (ii) the Required Amendments and Confirmations and (iii) such other notices, reports, filings, consents, registrations, approvals, permits or authorizations the failure to obtain would not reasonably be expected to have, individually or in the

aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Business or the Sellers. FDS has no reason to believe that the Sellers will not be able to obtain the Requisite Regulatory Approvals required to be obtained by them on a timely basis.

(d) No Conflicts. The execution, delivery and performance by the applicable Sellers of this Agreement and the Ancillary Agreements do not, and (subject to obtaining the Requisite Regulatory Approvals, the Required Amendments and Confirmations and other Previously Disclosed governmental and third-party consents, registrations, approvals, permits and authorizations referred to in Section 5.1(c)) the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not:

(1) breach, violate, conflict with, or be prohibited by the Constituent Documents of the Sellers or Prime;

(2) breach, violate, conflict with, or be prohibited by any Requirement of Law or Applicable Order applicable to the Sellers or Prime;

(3) breach, violate, conflict with, be prohibited by, require any additional approval under or result in a default under the terms, conditions or provisions of any Contract of any of the Sellers or Prime, or give any third party the right to

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terminate or cancel any right of any Seller or Prime under any Contract of such Person, or accelerate the performance of its obligations thereunder; or

(4) result in the creation of any Lien on the properties or assets of any of the Sellers or Prime, including the Acquired Assets and Stock, other than Permissible Liens;

except in each case described in clause (3) or (4), for any breach, violation, default, termination, cancellation, acceleration or Lien that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Business or the Sellers.

(e) SEC Reports; Other Financial Information.

(1) The Prime Master Trust and Prime have each filed with the Securities and Exchange Commission (the "SEC") all forms, reports and other documents (including all prospectuses and registration statements) required to be filed by it with respect to all periods commencing on or after January 1, 2002 (the "SEC Documents"). As of their respective filing dates (or effective dates, in the case of prospectuses and registration statements), the SEC Documents complied in all material respects with the requirements of the Securities Act of 1933 (the "Securities Act") or the Securities Exchange Act of 1934 (the "Exchange Act"), as applicable, and the rules and regulations of the SEC promulgated thereunder, as modified by SEC staff interpretive or no-action positions relating to credit card securitizations and did not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(2) The financial information included in the items listed in Schedule 5.1(e)(2) was true and accurate in all material respects as of the dates set forth therein.

(f) Absence of Certain Changes. Since January 29, 2005, the Business has been conducted in the ordinary course of business consistent with past practice and there has not been (1) any material change in: (x) any financial accounting practices, policies or procedures (to the extent any such change would be binding on or otherwise affect the Business or the Purchaser following the Closing, and except for any change in accounting practices, policies and procedures required by reason of a concurrent change in GAAP); (y) any collections, pricing, origination, charge-off, reaging, credit or underwriting

practices, policies and procedures of Sellers with respect to the Accounts; or (z) the servicing practices, policies and procedures of the Sellers with respect to the Gross Receivables or the Prime Securitization Receivables, except in each case for any such changes after the date hereof as approved in writing by the Purchaser, or (2) any Material Adverse Effect on the Business or the Sellers.

(g) Title to Properties; Encumbrances. A Seller has good title to or a valid leasehold interest in, or is licensed or otherwise entitled to use, all of the Acquired Assets and

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Stock (other than the Accounts, to which Section 5.1(l) is applicable), free and clear of all Liens, other than Permissible Liens. Upon consummation of the transactions contemplated by this Agreement, including the execution and delivery of the documents to be delivered at the First Closing, at the First Closing (and at the Second Closing with respect to the GE/Macy's Assets), the Purchaser shall be vested with good and marketable title in and to the Acquired Assets and Stock (other than the Accounts, to which Section 5.1(l) is applicable), free and clear of all Liens other than Permissible Liens, and the Required Amendments and Confirmations when obtained and effective, shall constitute a valid assignment of the Sellers' rights and interest in the applicable Securitization Documents enforceable against the Sellers and, upon the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, against all other persons.

(h) Litigation. FDS has Previously Disclosed a list and a summary description of each pending Action with respect to Accounts pending as of the date hereof in which the Seller or any of its Affiliates (or the Seller or any of its Affiliates or GE Bank or any of its Affiliates in the case of GE/Macy's Accounts) is a named defendant. There are no actions, suits, proceedings or claims pending, in arbitration or before any Governmental Authority, against any of the Sellers or Prime or their Subsidiaries, or to the Sellers' Knowledge, threatened against any of the Sellers or Prime or their Subsidiaries, in each case that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(i) Contracts. Each Assigned Contract constituting part of the Acquired Assets and Stock is a valid, legally binding agreement of the Seller or Subsidiary thereof that is party thereto. The Sellers have made available to the Purchaser true and complete copies of all Assigned Contracts. Neither such Seller or Subsidiary nor, to the Sellers' Knowledge, any other party thereto is in default under the terms of any such Contract, except for any such failures to be valid and binding and such defaults as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers. None of the Sellers or any Subsidiary of any Seller has received any written notice of termination, cancellation, breach or default under any Assigned Contract.

(j) Books and Records. All Books and Records of the Sellers relating to the Business, the Master File, the FDS Cardholder List, the GE/Macy's Cardholder List and the May Cardholder List have been maintained accurately and in accordance with all Requirements of Law applicable to the Sellers and the Business in all material respects.

(k) Compliance with Laws. Except to the extent that a breach of any of the following would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Business or the Sellers:

(1) since January 1, 2003, the Sellers and Prime have been in compliance with all Requirements of Law relating to the Business and the Acquired Assets and Stock; and

(2) since January 1, 2003, the Sellers and Prime have not been subject to any capital plan or supervisory agreement, cease-and-desist or similar order or

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directive or memorandum of understanding between any of them and any Governmental Authority or issued by any Governmental Authority, nor

has any of them adopted any board resolutions at the request of any Governmental Authority.

(1) Accounts.

(1) FDS Bank or Prime is the sole owner of and has good and marketable title to the FDS Accounts, the Gross Receivables on the FDS Accounts and the Prime Securitization Assets (subject in each case to the rights, claims and interests arising under the Securitization Documents). Upon the First Closing, subject to the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, all right, title and interest in and to the FDS Accounts, the Gross Receivables on the FDS Accounts, and the Prime Securitization Assets shall vest or be vested in the Purchaser free and clear of all Liens other than Permissible Liens (and subject in each case to the rights, claims and interests arising under the Securitization Documents).

(2) As of the Second Closing, FDS Bank shall be the sole owner of and have good and marketable title to the GE/Macy's Accounts and the Gross Receivables on the GE/Macy's Accounts. This Agreement shall, following the Second Closing Date, and subject to the filing of appropriate financing statements and all required continuations, amendments and replacements thereof, vest in the Purchaser all right, title and interest in and to the GE/Macy's Accounts and the Gross Receivables on the GE/Macy's Accounts, free and clear of all Liens other than Permissible Liens.

(3) To the Sellers' Knowledge, each Account Agreement (other than any Account Agreement with respect to any Charged Off Account) is a valid and legally binding obligation of each obligor thereunder, including any cosigner, guarantor or surety, and is enforceable against such obligors in accordance with its terms, subject to (i) possible claims and defenses on disputed card transactions asserted by a Cardholder, (ii) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other laws relating to or affecting creditors' rights generally and the effect of general equitable principles, and (iii) the Servicemembers Civil Relief Act.

(4) Since January 29, 2005, except for changes after the date hereof permitted by Section 6.2, (i) the Sellers have not effected any material change in operating policies and procedures of the Business relating to the maintenance of, and collection policies with respect to, the Accounts (other than changes permitted to be made by GE Bank pursuant to the GE/Macy's Program Agreement) and (ii) the Business has been operated in all material respects in compliance with the policies and procedures of the Sellers and GE Bank (other than changes permitted to be made by GE Bank pursuant to the GE/Macy's Program Agreement).

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(5) Each Account complies with, and was solicited and opened in accordance with, in all material respects the applicable rules and regulations of the applicable Card Association.

(6) Each Account complies in all material respects with the applicable Account Agreement.

(7) All Account applications have been taken and evaluated and applicants notified in a manner that complied with all applicable Requirements of Law.

(8) All Accounts have been solicited, originated, maintained and serviced in compliance with all applicable Requirements of Law.

(9) All disclosures made in connection with the Accounts complied in all material respects with all applicable Requirements of Law.

(10) To the Sellers' Knowledge, each of the Gross Receivables arises from or in connection with a bona fide sale or loan

transaction (including any amounts in respect of finance charges, annual fees and other charges and fees assessed on the Accounts).

(m) Securitization. Except to the extent that any breaches of the following would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers:

(1) each Seller or Prime and, to the Knowledge of Sellers, each other party thereto has performed in all material respects each obligation to be performed by it under each of the Prime Securitization Documents, including the filing of any financing statements, continuation statements or amendments under the Uniform Commercial Code of each applicable jurisdiction with the appropriate filing offices;

(2) each of the Prime Securitization Interests, each series of certificates in Prime Master Trust and each of the Securitization Documents to which any Seller, Prime or Prime Master Trust, as the case may be, is a party is in full force and effect and is a valid, binding and enforceable obligation of such Seller, Prime or Prime Master Trust, as the case may be, and to the Knowledge of Sellers, the other parties thereto, subject to applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent transfer and other laws affecting creditors' rights generally and to general equitable principles;

(3) true and complete copies of the Prime Securitization Documents have been made available to Purchaser and there have been no amendments or modifications to the Securitization Documents made since the date such copies were made available to Purchaser;

(4) the Prime Pooling and Servicing Agreement is not required to be qualified as an indenture under the Trust Indenture Act of 1939, as amended, and

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the Prime Master Trust is not required to be registered as an investment company under the Investment Company Act of 1940, as amended;

(5) Prime is the sole owner of the transferor interest under the Prime Securitization Documents;

(6) the listing of the Securitization Documents set forth in Schedule 1.1(f) and Schedule 1.1(g) is a true, accurate and complete list of the Contracts to which any of the Sellers, Prime or Prime II is a party relating to the Master Trusts;

(7) no interests in the Prime Master Trust have been issued since December 2004;

(8) no event or condition exists which is or with either notice or the passage of time would (i) constitute a default, event of default, amortization event, specified event or other event or circumstance, (ii) require any accelerated application of cash flows received in respect of the Prime Securitization Receivables, or (iii) trigger any requirement under any Prime Securitization Document to (A) fund an increase in any spread account, reserve account or similar account, (B) draw on any such account under the terms of any Prime Securitization Document or (C) otherwise increase any credit enhancement required under the Prime Securitization Documents (each, an "Adverse Development");

(9) no event or condition exists which constitutes an Adverse Development or a Servicer Default or other similar event permitting the termination of the Servicer under the Prime Securitization Documents (a "Servicer Default or Termination"); and

(10) assuming all required consents and approvals referred to in Section 5.1(c) are obtained, the consummation of the transactions contemplated hereby (including, without limitation, the execution and delivery of the Required Amendments and Confirmations) shall not

cause the occurrence of an Adverse Development or a Servicer Default or Termination.

(n) Servicing Qualifications. Each of FDS Bank and FACS Group, Inc. is licensed and qualified in all jurisdictions necessary to conduct the servicing activities with respect to the Accounts in which it is engaged in accordance with all applicable Requirements of Law, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(o) Taxes.

(1) The Sellers, Prime and the Master Trusts have filed all material Tax Returns that they were required to file (taking into account all applicable extensions) on or before the date hereof (in the case of the Sellers, solely to the extent of any Tax Returns related to the Business), and all Taxes required to be

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shown on such Tax Returns or otherwise due and owing with respect to Prime, the FDS Assets, the GE/Macy's Assets or the Business have been timely paid.

(2) For federal, Ohio and New York State Tax purposes, all interests in the Prime Master Trust held by Prime or sold to investors are indebtedness of Prime, interests in an entity other than an association taxable as a corporation or a publicly traded partnership, or interests in a disregarded entity.

(3) There are no pending or (to the Knowledge of the Sellers) threatened actions or proceedings for the assessment or collection of a material amount of Taxes with respect to Prime, nor has Prime or any Affiliate thereof received any notice or inquiry from any jurisdiction in which Prime does not currently file Tax Returns to the effect that Prime may be subject to taxation by such jurisdiction.

(p) No Brokers or Finders. The Assumed Liabilities do not include, and Prime has not incurred, any liability for any financial advisory fees, brokerage fees, commissions or finder's fees directly or indirectly in connection with this Agreement or the transactions contemplated hereby or by the Ancillary Agreements.

(q) Prime. The authorized capital stock of Prime consists of 100 shares of Common Stock, par value \$0.01 per share, of which 100 shares are issued and outstanding ("Prime Common Stock"). All of the issued and outstanding shares of Prime Common Stock are beneficially and legally owned by FDS, free and clear of all Liens. All of the issued and outstanding shares of Prime Common Stock are duly authorized, validly issued, fully paid and nonassessable. There are no outstanding (i) securities convertible into or exchangeable for Prime Common Stock, (ii) options, warrants, calls or other rights to purchase or subscribe for Prime Common Stock or (iii) contracts of any kind to which Prime or any of its Affiliates is subject or bound requiring the issuance after the date of this Agreement of (x) Prime Common Stock, (y) any convertible or exchangeable security of the type referred to in clause (i) or (z) any options, warrants, calls or rights of the type referred to in clause (ii). Prime does not own, directly or indirectly, any equity interest or investment in any Person. Prime was established for the sole purpose of entering into, and engaging in the transactions contemplated by, the Prime Securitization Documents and since its formation, (i) has engaged in no other business activities, (ii) has conducted its business and operations only as contemplated by the Prime Securitization Documents and (iii) has no outstanding Liabilities.

(r) Intellectual Property. None of the Sellers, Prime and their Subsidiaries has granted any license or other right to any third party to use the Transferred Intellectual Property (i) in connection with any Credit Card program or (ii) that would violate any rights in the Transferred Intellectual Property granted to the Purchaser pursuant to the Program Agreement. To the Seller's Knowledge, there has been no misappropriation of any trade secrets or other confidential or proprietary information contained in the Transferred Intellectual Property by any Person.

(1) None of (i) the FDS Accounts, the GE/Macy's Accounts or the May Accounts, as applicable; (ii) the Gross Receivables (other than the Prime Securitization Receivables) on such Accounts; and/or (iii) Interchange Fees, Account Agreements and Master Files related to such Accounts (collectively, the "Specified Assets") were acquired by the Seller thereof in contemplation of the transactions contemplated by this Agreement. No Seller of any of the Specified Assets has any rights under the Program Agreement to purchase any of the Program Assets (as defined in the Program Agreement) upon termination of the Program or otherwise, with any such purchase rights vesting solely in FDS and its Subsidiaries other than the Seller of such Specified Assets. In connection with the First Closing and Assumption, the Specified Assets that constitute FDS Assets will be sold by FDS Bank or Prime II to the Purchaser. In connection with the termination of the GE/Macy's Program Agreement, the Specified Assets that constitute GE/Macy's Assets will be sold by GE Bank and/or one of its Affiliates to FDS Bank and, in connection with the Second Closing and Assumption, be sold by FDS Bank to the Purchaser. In connection with the May Merger and the Third Closing and Assumption, the Specified Assets that constitute May Assets will either be sold (i) directly by May Bank and/or one of its Affiliates to the Purchaser or (ii) by May Bank and/or one of its Affiliates to FDS Bank and subsequently sold by FDS Bank to the Purchaser (it being understood that during the period from the closing of the May Merger until the Third Purchase and Assumption, the Specified Assets that constitute May Assets shall be owned by May Bank and/or one of its Affiliates reasonably acceptable to the Purchaser and/or FDS Bank).

(2) The Purchase Price for the Acquired Assets and Stock shall be fairly allocated among the Sellers and that portion of the Purchase Price allocable to the Acquired Assets and Stock transferred by each Seller shall be paid to such Seller. No allocation made pursuant to this Section 5.1(s)(2) shall apply for any Tax or accounting purposes.

(3) In the event FDS exercises the purchase right under the Program Agreement, FDS has no present intention to cause any particular entity to be the transferee of such Program Assets, with FDS reserving all rights to decide at the time of transfer who such transferee will be.

SECTION 5.2. Representations of the Purchaser. Except as Previously Disclosed, the Purchaser represents to the Sellers as follows:

(a) Existence and Authority. The Purchaser is a validly existing national banking association, duly organized and in good standing under the laws of the United States of America, and has the corporate power and authority to carry on its business as now conducted and to acquire and operate the Business as currently conducted or as proposed to be conducted. The Purchaser and its deposits are insured by the Federal Deposit Insurance Corporation to the fullest extent permitted by law.

(b) Authorization and Validity. The Purchaser has the requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is a party. This Agreement and each Ancillary Agreement have been duly authorized by the Purchaser by all necessary corporate action. This Agreement has been duly executed and delivered by the Purchaser and each Ancillary Agreement has been or shall have been, at the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly executed and delivered by the Purchaser. Assuming that this Agreement has been, and the Ancillary Agreements have been or shall be on or prior to the First Closing Date (or the Second Closing Date with respect to the Second Instrument of Assignment and Assumption), duly authorized, executed and delivered by the Sellers party thereto, this Agreement is, and the Ancillary Agreements shall be at the First Closing Date (or the Second Closing Date with respect to the Second Instrument

of Assignment and Assumption), the legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization, fraudulent transfer and other laws affecting creditors' rights generally and to general equitable principles.

(c) Governmental and Third-Party Consents. No notices, reports or other filings are required to be made by the Purchaser with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Purchaser from, any Governmental Authority or any other third party in connection with the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Purchaser, as applicable, or the consummation by the Purchaser of the transactions contemplated by this Agreement or the Ancillary Agreements, except for the Requisite Regulatory Approvals and for such other notices, reports, filings, consents, registrations, approvals, permits or authorizations the failure to obtain which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Purchaser or on the Business following the First Closing Date. The Purchaser has no reason to believe that it will not be able to obtain the Requisite Regulatory Approvals on a timely basis.

(d) No Conflicts. The execution, delivery and performance by the Purchaser of this Agreement and the Ancillary Agreements do not, and (subject to obtaining the Requisite Regulatory Approvals and the other Previously Disclosed governmental and third-party consents, registrations, approvals, permits and authorizations referred to in Section 5.2(c)) the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not:

(1) breach, violate, conflict with or be prohibited by the Purchaser's Constituent Documents;

(2) breach, violate, conflict with or be prohibited by any Requirement of Law or Applicable Order applicable to the Purchaser; or

(3) breach, violate, conflict with, be prohibited by, require any additional approval under or result in a default under the terms, conditions or provisions of any Contract of the Purchaser, or give any third party the right to terminate or

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cancel any right of the Purchaser, conflict with, be prohibited by, require any additional approval under any such Contract, or accelerate the performance of its obligation thereunder;

except in each case described in clause (3), for any breach, violation, default, termination, cancellation, acceleration or Lien that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Purchaser or on the Business following the First Closing Date.

(e) Absence of Certain Changes. Since January 29, 2005, there has not been any change in the financial condition or results of operations of the Purchaser that has had, individually or in the aggregate, a Material Adverse Effect on the Purchaser or on the Business as of the First Closing Date.

(f) Compliance with Laws. Except to the extent that a breach of any of the following would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (excluding for these purposes clause (a)(4) of the definition of Material Adverse Effect) on the Purchaser or the Business as of the First Closing Date:

(1) the Purchaser is in compliance with all Requirements of Law relating to its credit card business; and

(2) neither the Purchaser nor any of its Affiliates is subject to any capital plan or supervisory agreement, cease-and-desist or similar order or directive or memorandum of understanding between it and any Governmental Authority or issued by any Governmental

Authority, nor has any of them adopted any board resolutions at the request of any Governmental Authority.

(g) Servicing Qualifications. The Purchaser is licensed and qualified in all jurisdictions necessary to service the Accounts in accordance with all applicable Requirements of Law, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser or the Business or on the ability of the Purchaser to perform its duties as servicer, or on ability of the Purchaser to perform its duties as sub-servicer, under the Prime Pooling and Servicing Agreement following the First Closing Date.

(h) Financing. The Purchaser has sufficient cash, available lines of credit or other sources of immediately available funds to enable it to pay the Estimated FDS Purchase Price as required by Section 2.4(c), the Estimated GE/Macy's Purchase Price as required by Section 3.4(c), and the Estimated May Purchase Price as required by Section 4.4(c), and to timely pay any other amounts to be paid by it under this Agreement.

(i) Litigation. Except as described in filings made prior to the date hereof by the Purchaser or Citigroup, Inc. with the SEC, there are no actions, suits, proceedings or claims pending, in arbitration or before any Governmental Authority, against the Purchaser or its Affiliates, or to the Purchaser's Knowledge, threatened against Purchaser or any of its Affiliates,

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in each case that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Purchaser or on the Business.

(j) No Brokers or Finders. Any liability incurred by the Purchaser or its Affiliates for any financial advisory fees, brokerage fees, commissions or finder's fees directly or indirectly in connection with this Agreement or the transactions contemplated hereby or by the Ancillary Agreements shall be borne by the Purchaser.

(k) Restricted Securities. The Purchaser understands that the shares of Prime Stock are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to such laws, Purchaser must hold those securities indefinitely unless they are registered with the SEC and qualified by applicable state Governmental Authorities or an exemption from such registration and qualification is available.

(l) Investment Representation. The Purchaser is purchasing the Prime Stock for its own account with the present intention of holding such securities for investment purposes and not with a view to or for sale in connection with any public distribution of such securities in violation of any federal or state securities laws. The Purchaser is an "accredited investor" as defined in Regulation D promulgated by the SEC under the Securities Act. Purchaser understands the risks of the transactions contemplated hereby and of ownership of the Prime Stock. Purchaser acknowledges that the Prime Stock has not been registered under the Securities Act or any state or foreign securities laws and that the Prime Stock may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of unless such sale, transfer, offer, pledge, hypothecation or other disposition is pursuant to the terms of an effective registration statement under the Securities Act and qualification under any applicable state or foreign securities laws or pursuant to an exemption from registration under the Securities Act and any applicable state or foreign securities laws.

(m) License. The Purchaser is licensed to participate in the programs of each of the Card Associations to the extent necessary to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and to perform its obligations hereunder and thereunder. The Purchaser is a member in good standing of the Card Associations.

(n) Organization and Capitalization of CEBA Bank. At the time of the First Closing, CEBA Bank will be a national bank, duly organized, validly existing and in good standing under the laws of the United States of America. At the time of the First Closing, all of the issued and outstanding shares of capital stock of CEBA Bank (the "CEBA Capital Stock") shall be beneficially and legally owned by the Purchaser, free and clear of all Liens other than Permissible Liens. All of the issued and outstanding shares of CEBA Capital

Stock will be duly authorized, validly issued, fully paid and nonassessable (except as provided in 12 U.S.C. Section. 55). Upon the issuance of the CEBA Equity Interests to FDS Bank (or its assignee) pursuant to Section 2.4(d) all of the CEBA Equity Interests will be duly authorized, validly issued, fully paid and nonassessable (except as provided in 12 U.S.C. Section. 55). Other than as contemplated by this Agreement, there will be no outstanding (i) securities convertible into or exchangeable for CEBA Capital Stock, (ii) options, warrants, calls or other rights to purchase or subscribe for CEBA Capital Stock or (iii) contracts of any kind to which CEBA Bank or any of its Affiliates is subject or bound requiring the issuance after the date of this Agreement of (x) CEBA Capital Stock, (y)

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any convertible or exchangeable security of the type referred to in clause (i) or (z) any options, warrants, calls or rights of the type referred to in clause (ii). CEBA Bank will not own, directly or indirectly, any equity interest or investment in any Person.

(o) Operations of CEBA Bank. CEBA Bank will be established for the sole purpose of entering into, and engaging in the transactions contemplated by, this Agreement and the Ancillary Agreements, and following its formation, as of the First Closing, (i) will not have engaged in any other business activities other than organization and qualification of CEBA Bank under applicable Requirements of Law and with the applicable Governmental Authorities, (ii) will have conducted its business and operations only as contemplated by this Agreement or the Ancillary Agreements and applicable Requirements of Law and (iii) will not have incurred any Liabilities other than Liabilities incurred or arising out of this Agreement or the Ancillary Agreements or in connection with the organization and qualification of CEBA Bank under applicable Requirements of Law and with the applicable Governmental Authorities. CEBA Bank will not at any time during the Term (as defined in the Program Agreement) engage in any business or issue any Credit Cards except pursuant to the Program Agreement. CEBA Bank will at all times during the Term conform its operations so as to meet the requirements of 12 U.S.C. Section.1841(c)(2) or any comparable successor statute.

SECTION 5.3. No Other Representations or Warranties; No Recourse. Except as expressly set forth in this Article V or the Ancillary Agreements, neither the Sellers nor the Purchaser have made or make any other express or implied representations, or any express or implied warranty, either written or oral, with respect to the Acquired Assets and Stock, the Assumed Liabilities, the Sellers, the Business or the Purchaser, respectively, or as to any other matter whatsoever. Except as otherwise expressly provided herein or in any Ancillary Agreement, the sale of the Acquired Assets and Stock is without recourse of any kind to FDS or its Affiliates or to the Purchaser or its Affiliates. THE PURCHASER ACKNOWLEDGES THAT THE SELLERS DISCLAIM ALL WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT OR ANY ANCILLARY AGREEMENT, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE VI COVENANTS

SECTION 6.1. Conduct of Business.

(a) Except as otherwise contemplated hereby or by the Ancillary Agreements, and except for transactions in the ordinary course of business, until the First Closing Date (and, with respect to the GE/Macy's Assets, until the Second Closing Date), FDS and FDS Bank shall, and shall cause Prime to, conduct the Business (for purposes of this Section 6.1(a), after the First Closing, solely with respect to the GE/Macy's Assets and GE/Macy's Liabilities) or cause the Business to be conducted in the ordinary course consistent with past practice. Without limiting the generality of the foregoing, FDS and FDS Bank shall (as it relates to the Business), and shall cause Prime to, use their respective reasonable best efforts to preserve intact the business organizations and relationships with third parties relating to the Business, to keep available the

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services of required employees of the Business and to preserve beneficial relationships with customers in connection with the Business, following

substantially the same practices and standards, in all material respects, including collection practices and accounting practices for charge-offs and reserves, as in effect on the date of this Agreement (subject to such changes therein as may be made by GE Bank in accordance with the provisions of the GE/Macy's Program Agreement).

(b) Prior to the closing of the May Merger, FDS shall not waive any of its contractual rights against May Co. to require May Co. to continue ordinary course operations and refrain from specified activities, in each case as such operations and activities relate to the credit card business of May Co., May Bank and their Subsidiaries (the "May Business"). From and after the closing of the May Merger, except as otherwise contemplated hereby or by the Ancillary Agreements, and except for transactions in the ordinary course of business, until the Third Closing Date, FDS and FDS Bank shall conduct the May Business or cause the May Business to be conducted in the ordinary course consistent with past practice (except to the extent permitted in Section 6.2). Without limiting the generality of the foregoing, subject to Section 6.2(b), FDS and FDS Bank shall (as it relates to the May Business) use their respective reasonable best efforts to preserve intact the business organizations and relationships with third parties relating to the May Business, to keep available the services of required employees of the May Business and to preserve beneficial relationships with customers in connection with the May Business, following substantially the same practices and standards, in all material respects, including collection practices and accounting practices for charge-offs and reserves, as in effect on the closing date of the May Merger.

SECTION 6.2. Certain Changes.

(a) Without limiting Section 6.1, except as otherwise contemplated hereby (including Section 6.2(b)) or by the Ancillary Agreements or as required by the applicable Requirements of Law or the GE/Macy's Program Agreement with respect to the GE/Macy's Assets, from the date of this Agreement until the First Closing Date (or, with respect to the GE/Macy's Assets, the Second Closing Date or, with respect to the May Assets, the Third Closing Date) without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld or delayed), the Sellers shall not and shall cause their Subsidiaries not to:

(i) enter into or amend any Assigned Contract except in the ordinary course of the Business consistent with past practice and only to the extent such entry or amendment would not have a Material Adverse Effect on the Business;

(ii) amend any of the Prime Securitization Documents;

(iii) except for the acquisition of May Co., acquire a material amount of assets from any other Person or all or substantially all of the assets of any Person, whether by merger, asset purchase or otherwise, if, in either case, such assets would constitute Acquired Assets and Stock;

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(iv) materially change the aggregate expenses that would be incurred by FDS and its Affiliates in the servicing of the Program or the performance of interim services in accordance with the Program Agreement;

(v) make any material change in: (x) any financial accounting practices, policies or procedures (to the extent any such change would be binding on or otherwise affect the Business or the Purchaser following the First Closing, the Second Closing or the Third Closing, as the case may be, and except for any change in accounting practices, policies and procedures required by reason of a concurrent change in GAAP); (y) any collections, pricing, origination, charge-off, reaging, credit or underwriting practices, policies and procedures of Sellers with respect to the Accounts; or (z) the servicing practices, policies and procedures of the Sellers with respect to the Gross Receivables or the Prime Securitization Receivables;

(vi) sell, lease or otherwise dispose of any of the Acquired Assets and Stock, except (1) in the ordinary course of business and in transactions that individually or in the aggregate with all such other dispositions would not have a Material Adverse Effect on the Sellers or the Business, (2) in connection with securitizations of receivables arising under the Accounts (provided that the benefits thereof are transferable to the

Purchaser at the First Closing), (3) pursuant to the terms of Contracts or commitments existing as of the date of this Agreement and Previously Disclosed, or (4) as otherwise Previously Disclosed; or

(vii) except in the ordinary course of business consistent with past practice, settle any material claim, action or proceeding or waive any material rights or claims in respect of the Business in a manner that would adversely affect the Business or any of the Acquired Assets and Stock or Assumed Liabilities after the First Closing; or

(viii) agree with any Person or otherwise commit themselves to do any of the foregoing.

(b) Notwithstanding the provisions of Sections 6.1(b) and 6.2(a), FDS may sell assets that would otherwise constitute Acquired Assets hereunder in connection with dispositions by FDS of any stores or other retail channels of FDS and its Affiliates or May Co. and its Affiliates in connection with the May Merger; provided that (i) such dispositions shall be effected pursuant to a settlement with or other written commitment to a Governmental Authority in connection with such Governmental Authority's review of the May Merger or, (ii) if such dispositions are not effected pursuant to such a settlement or commitment referred to in clause (i), the Gross Receivables disposed of in connection with all such dispositions of May Assets effected prior to the closing of the May Merger in reliance upon this Section 6.2(b) shall not exceed \$150,000,000 in the aggregate.

(c) The parties acknowledge that FDS intends to use its commercially reasonable efforts following the closing of the May Merger to align to the extent reasonably practicable the account terms, policies, practices and procedures applicable to the May Accounts and the May Business with the account terms, policies, practices and procedures applicable to the other Accounts and the Business. Accordingly, notwithstanding the provisions of Sections 6.1(b) and 6.2(a), the Sellers and their Subsidiaries may make changes to the account terms, policies, practices and procedures applicable to the May Accounts and the May Business to the

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extent such changes are in furtherance of such alignment. The parties further acknowledge that the completion of such efforts by FDS is not a condition to the Purchaser's obligation to effect the Third Purchase and Assumption.

SECTION 6.3. Access and Confidentiality.

(a) Until the First Closing Date (and, with respect to the GE/Macy's Assets, until the Second Closing Date and with respect to the May Assets, following the closing of the May Merger and until the Third Closing Date), upon reasonable prior notice and subject to applicable Requirements of Law relating to the exchange of information, FDS and FDS Bank shall, and shall cause Prime to, permit the Purchaser and its authorized representatives to have reasonable access, during regular business hours for purposes consistent with this Agreement, to the properties and Books and Records relating to the Business, including the Master File, the FDS Cardholder List, the GE/Macy's Cardholder List and the May Cardholder List, to the extent that such access does not unduly interfere with the business of the Sellers; provided that the Purchaser and such representatives comply with the confidentiality obligations contained herein and in the Confidentiality Agreement; and provided, further, that the foregoing shall not (1) require the Sellers to permit any inspection, or to disclose any information, that in their reasonable judgment would result in the disclosure of any trade secrets of third parties or trade secrets of the Sellers or their Affiliates unrelated to the Business or violate any obligations of the Sellers to any third party with respect to confidentiality if the Sellers shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure or (2) require any disclosure by the Sellers that could, as a result of such disclosure, have the effect of causing the waiver of any attorney-client privilege.

(b) If this Agreement is terminated, each party, at its own expense, shall promptly deliver (without retaining any copies) to the other party or (at their option) confirm in writing to the other party that it has completely destroyed all information furnished to such party or its representatives by the other party or any of their agents, employees or representatives in connection with this Agreement, whether so obtained before or after the execution hereof,

and all analyses, compilations, forecasts, studies or other documents prepared by such party or its representatives that contain or reflect any such information; provided, however, that the foregoing shall not apply to summary analyses made by such party that such party is required to retain (i) as part of the minutes of the proceedings of its board of directors or any committee thereof, or (ii) to comply with applicable Requirements of Law. Notwithstanding the return or destruction of such information by the receiving party and/or its agents, employees and representatives, the receiving party and its agents, employees and representatives will continue to be bound by its obligations hereunder and under the Confidentiality Agreements regarding the use and confidentiality of such information. Notwithstanding the foregoing provisions of this Section 6.3(b), the Purchaser shall not be required to return information relating to the FDS Assets or the FDS Liabilities after the First Closing, the GE/Macy's Assets or the GE/Macy's Liabilities after the Second Closing, or the May Assets or the May Liabilities after the Third Closing.

(c) In addition to the confidentiality arrangements contained herein, all information provided or obtained in connection with the transactions contemplated by this Agreement and by the Ancillary Agreements (including pursuant to clause (a) above) on or prior

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to the First Closing Date (or, with respect to information relating to the GE/Macy's Assets and GE/Macy's Liabilities, on or prior to the Second Closing Date and with respect to information relating to the May Assets and May Liabilities, on or prior to the Third Closing Date) shall be held by the Purchaser in accordance with the Confidentiality Agreement, dated November 19, 2004 between Citicorp Credit Services Inc. (USA) and FDS (the "FDS Confidentiality Agreement") and the Confidentiality Agreement, dated April 26, 2005 between Citicorp Credit Services Inc. (USA) and FDS (the "May Confidentiality Agreement" and together with the FDS Confidentiality Agreement, the "Confidentiality Agreements"). In the event of a conflict or inconsistency between the terms of this Agreement and the Confidentiality Agreements, the terms of this Agreement shall govern.

(d) The parties agree that monetary damages would not be a sufficient remedy for any breach of the foregoing provisions of this Section 6.3 and the provisions of the Confidentiality Agreements, and that, in addition to all other remedies, each Party will be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any breach of the foregoing provisions of this Section 6.3 and the provisions of the Confidentiality Agreements.

(e) From the date hereof through the First Closing Date (and with respect to the GE/Macy's Assets, through the Second Closing Date, and with respect to the May Assets, from the closing of the May Merger through the Third Closing Date), the Sellers shall provide to the Purchaser on a monthly basis the reports that would be required to be provided to the Purchaser pursuant to Section 7.1 of the Program Agreement following the Effective Date thereunder (or in the case of the May Assets, such similar existing reports as are reasonably available to FDS).

(f) From the date hereof through the Second Closing Date, the Sellers shall provide the Purchaser reasonable prior written notice (including a description of such change) of any material changes in the credit and underwriting, risk management, reaging, posting, collection or operating policies and procedures with respect to the Business made pursuant to the GE/Macy's Program Agreement. From the date of the closing of the May Merger through the Third Closing Date, the Sellers shall provide the Purchaser reasonable prior written notice describing any such material changes to be made in connection with the May Business.

SECTION 6.4. Reasonable Best Efforts; Other Filings.

(a) Subject to the terms and conditions of this Agreement, the Purchaser shall, and shall cause its Subsidiaries to, and FDS and FDS Bank shall, and shall cause their Subsidiaries to, use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Requirements of Law, so as to permit consummation of the transactions contemplated by this Agreement as promptly as reasonably practicable and shall cooperate fully with each other to that end.

(b) Without limiting Section 6.4(a), FDS and FDS Bank shall, and shall cause their Subsidiaries to, and the Purchaser shall and shall cause its Affiliates to, use reasonable best efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all Governmental Authorities necessary to consummate the

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transactions contemplated by this Agreement and the Ancillary Agreements, including taking all reasonable actions necessary to defend, mitigate or rescind the effect of any litigation or administrative proceeding involving any Governmental Authority adversely affecting the consummation of the transactions contemplated by this Agreement or the validity or enforceability of this Agreement, including promptly appealing any adverse court or administrative decision. Each of the Sellers, on the one hand, and the Purchaser, on the other hand, shall consult with the other with respect to the obtaining of such permits, consents, approvals and authorizations and to keep the other apprised of the status thereof. Subject to appropriate confidentiality and legal privilege protections, the Sellers and the Purchaser shall each furnish to the others such necessary information and reasonable assistance as any of the parties may reasonably request in connection with the foregoing.

(c) Without limiting the foregoing, the parties shall use their reasonable best efforts to obtain (i) the Requisite Regulatory Approvals with respect to the First Purchase and Assumption, the Second Purchase and Assumption and the Third Purchase and Assumption, and (ii) with the cooperation of FDS and its Subsidiaries, any licenses, permits or other qualifications with respect to the Purchaser or any of its Affiliates necessary to satisfy the condition set forth in Section 7.3(e) and to allow the Purchaser to perform its obligations under the Program Agreement, in each case in time to permit the First Closing Date to occur on or before August 29, 2005 or, if the First Closing Date has not then occurred, as promptly thereafter as reasonably practicable. The parties hereby agree, without any request or demand by the other parties, (i) to make all necessary filings related to the Requisite Regulatory Approvals with respect to the First Purchase and Assumption no later than fifteen (15) Business Days from the execution and delivery of this Agreement, (ii) to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested in connection with the receipt of the Requisite Regulatory Approvals and (iii) to prosecute actively all such filings and pursue the receipt of each Requisite Regulatory Approval and the licenses, permits or other qualifications referred to in clause (ii) above.

(d) The Sellers and the Purchaser agree to take such actions with respect to the Prime Securitization Assets and Prime Securitization Documents prior to the First Closing Date as the other parties may reasonably request, including those actions that are incident to the receipt of ratings confirmations from the rating agencies in connection with the purchase of the Prime Stock and the assumption by the Purchaser of the roles of servicer and transferor (and the role of the Purchaser as sub-servicer) under the Prime Securitization Documents.

(e) The Purchaser shall promptly notify the Sellers in writing, and FDS and FDS Bank shall promptly notify the Purchaser in writing, upon (i) becoming aware of any order or decree or any complaint seeking an order or decree restraining or enjoining the execution of any Ancillary Agreement or the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement, or (ii) receiving any notice from any Governmental Authority of its intention to (A) institute a suit or proceeding to restrain or enjoin the execution of any Ancillary Agreement or the consummation of the transactions contemplated by this Agreement or any Ancillary Agreement, (B) nullify or render ineffective this Agreement or the Ancillary Agreements if such transactions are consummated, or (C) fail to issue or give any of the Requisite Regulatory Approvals.

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(f) Any filing fees under the HSR Act or any other domestic or foreign antitrust merger control laws shall be borne by the Purchaser.

(g) The parties agree that if so requested by FDS not later than the earlier to occur of (i) fifteen (15) days prior to the First Closing Date and

(ii) the date on which the Purchaser has received all Requisite Regulatory Approvals required to be obtained by it, the parties will negotiate in good faith with respect to such mutually acceptable changes to the terms of this Agreement and the Program Agreement as FDS may reasonably request in order to maintain the status of FDS Bank as a savings association in good standing with the Office of Thrift Supervision, including without limitation amending such agreements to provide that some or all of the Employee Accounts (as defined in the Program Agreement) shall be retained following the First Closing at FDS Bank; provided, however, that no such changes shall be made to the extent they would affect the ability of the Purchaser and the CEBA Bank to file a consolidated federal income Tax Return following the First Closing Date in accordance with Section 6.14(d).

(h) The parties agree that in the event that the OCC is not willing to approve the ownership of the CEBA Equity Interests by FDS Bank, the parties shall negotiate in good faith with respect to mutually acceptable changes to the terms of this Agreement and the Program Agreement to provide for such other corporate or ownership structure of the issuer of Credit Cards under the Program as the parties mutually agree; provided that failure of the OCC to approve (i) the ownership of the CEBA Equity Interests by FDS Bank or (ii) such alternative corporate or ownership structure shall not give rise to the payment of the Termination Fee pursuant to Section 10.4(b).

SECTION 6.5. Additional Instruments. At the reasonable request of FDS or FDS Bank, on the one hand, or the Purchaser, on the other hand, at or after the First Closing, the other Person shall promptly execute and deliver, or cause to be executed and delivered, to the requesting party such assignments, bills of sale, assumption agreements, consents and other similar instruments in addition to those required by this Agreement, in form and substance reasonably satisfactory to the requesting party, as may be reasonably necessary to carry out or implement any provision of this Agreement or any Ancillary Agreement or to make effective the First Purchase and Assumption, the Second Purchase and Assumption or the Third Purchase and Assumption, as the case may be.

SECTION 6.6. Non-Solicitation. The Purchaser shall continue to comply with the provisions of Section 6 of the FDS Confidentiality Agreement during the eighteen (18) month period following the First Closing Date. The Purchaser shall continue to comply with the provisions of Section 6 of the May Confidentiality Agreement during the eighteen (18) month period following the Third Closing Date. The parties agree that money damages would not be a sufficient remedy for any breach of this Section 6.6 and that, in addition to all other remedies, the Sellers and their Affiliates will be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any breach of this Section 6.6 or the provisions of the Confidentiality Agreement. Purchaser waives any requirements for the securing or posting of any bond in connection with such remedy.

SECTION 6.7. Credit Card Marks; Branding. It is expressly agreed that, except for the license granted in the Program Agreement, the Purchaser is not purchasing or acquiring

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any right, title or interest in the FDS Licensed Marks or other trademarks or service marks of the Sellers or their Affiliates that the Sellers have used prior to the date of this Agreement (or shall use or own thereafter) in connection with the Accounts or the Business (collectively, the "Credit Card Marks"). The Purchaser acknowledges that the Sellers or their Affiliates own the Credit Card Marks and goodwill related thereto and symbolized thereby.

SECTION 6.8. Notice to Cardholders.

(a) First Purchase and Assumption.

(i) Promptly following the First Closing Date, the Purchaser shall prepare jointly with FDS and FDS Bank a form or forms of notice to each Cardholder who has an FDS Account owned by the Purchaser as of the First Closing Date to the effect that such Account has been acquired by the Purchaser, provided that such notice shall be sent to any Cardholder that has an inactive Account following the date such Account becomes active. Such notice shall be in the form approved by both parties, which approval shall not be unreasonably withheld or delayed, and shall comply with all applicable Requirements of Law and the by-laws, rules and

regulations of the Card Associations if applicable. The costs of preparation and mailing of such notices shall be borne by the Purchaser. The mailing shall be made in such manner and at such time as the Sellers and the Purchaser may mutually agree.

(ii) From and after the date of this Agreement and until the First Closing, the Purchaser and its Affiliates shall not communicate with the FDS Account Cardholders (whether by mail, by telephone or otherwise) regarding the Business or their FDS Accounts without the prior written consent of the Sellers, which consent shall not be unreasonably withheld or delayed.

(b) Second Purchase and Assumption.

(i) Promptly following the Second Closing Date, the Purchaser shall prepare jointly with FDS and FDS Bank a form or forms of notice to each Cardholder who has a GE/Macy's Account to the effect that such Account has been acquired by the Purchaser; provided that such notice shall be sent to any Cardholder that has an inactive Account following the date such Account becomes active. Such notice shall be in the form approved by both parties, which approval shall not be unreasonably withheld or delayed, and shall comply with all applicable Requirements of Law and the by-laws, rules and regulations of the Card Associations if applicable. The costs of preparation and mailing of such notices shall be borne by the Purchaser. The mailing shall be made in such manner and at such time as the Sellers and the Purchaser may mutually agree.

(ii) From and after the date of this Agreement and until the Second Closing, the Purchaser and its Affiliates shall not communicate with the GE/Macy's Account Cardholders (whether by mail, by telephone or otherwise) regarding the Business or their GE/Macy's Accounts without the prior written consent of the Sellers, which consent shall not be unreasonably withheld or delayed.

(c) Third Purchase and Assumption.

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(i) Promptly following the Third Closing Date, the Purchaser shall prepare jointly with FDS and FDS Bank or May Bank, as the case may be, a form or forms of notice to each Cardholder who has a May Account to the effect that such Account has been acquired by the Purchaser; provided that such notice shall be sent to any Cardholder that has an inactive Account following the date such Account becomes active. Such notice shall be in the form approved by both parties, which approval shall not be unreasonably withheld or delayed, and shall comply with all applicable Requirements of Law and the by-laws, rules and regulations of the Card Associations if applicable. The costs of preparation and mailing of such notices shall be borne by the Purchaser. The mailing shall be made in such manner and at such time as the Sellers and the Purchaser may mutually agree.

(ii) From and after the date of this Agreement and until the Third Closing, the Purchaser and its Affiliates shall not communicate with the May Account Cardholders (whether by mail, by telephone or otherwise) regarding the Business or their May Accounts without the prior written consent of the Sellers, which consent shall not be unreasonably withheld or delayed.

SECTION 6.9. Cooperation in Obtaining Approval and Consents. The Purchaser agrees to cause one or more of its Affiliates to assume or to join as joint and several indemnitors, and irrevocable and unconditional guarantors and sureties, of the obligations of the Purchaser to the extent reasonably requested by the applicable trustees or rating agencies and any other party whose consent, approval or action is reasonably required in connection with transfer of the Prime Securitization Assets and related Liabilities of the Sellers.

SECTION 6.10. Post-Closing Access. The Purchaser shall, upon reasonable notice and subject to applicable Requirements of Law relating to the exchange of information, afford to the Sellers, their Affiliates and their representatives reasonable access (including the right to copy), without charge, during normal business hours, to the Acquired Assets and Stock, the Books and Records relating thereto, any Person who maintains or controls any of the

foregoing for the Purchaser or its Subsidiaries, all as may be reasonably requested by the Sellers or any of their Affiliates in order to enable the Sellers to (i) prepare the First Final Closing Statement, the Second Final Closing Statement, and the Third Final Closing Statement and participate in the resolution of any disputes relating thereto; (ii) permit the performance of any covenants required to be performed under this Agreement and the Ancillary Agreements after the First Closing Date, the Second Closing Date or the Third Closing Date by the Sellers; (iii) permit the preparation of any Tax Return or other document required to be filed with any Governmental Authority; and (iv) respond to any proceeding or to any claim made, or to any request for information, by any Governmental Authority or any other Person not a party hereto (other than an Affiliate of the Purchaser), including any Cardholder with respect to matters that may constitute Excluded Liabilities.

SECTION 6.11. Cooperation in Litigation. (a) Subject to Section 12.4, the Sellers and the Purchaser shall cooperate, to the extent reasonably requested by the other, in the handling and disposition of any claim, action, suit, arbitration, proceeding, investigation or regulatory inquiry ("Actions"), whether or not listed on the Schedules and whether or not pending or threatened prior to the First Closing, the Second Closing or the Third Closing, that

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arise out of or are related to any event or occurrence with respect to the Business prior to the First Closing (or, with respect to the GE/Macy's Assets or the GE/Macy's Liabilities, the Second Closing and with respect to the May Assets or May Liabilities, the Third Closing Date); provided, however, that the party ultimately responsible for discharging such Action shall have the authority to take such actions as it deems necessary or advisable, in its sole discretion, to discharge such Action, subject, however, to the provisions of this Agreement.

(b) The Sellers shall be entitled to keep copies of all litigation filings, correspondence, Books and Records and other documentation of any kind that the Sellers reasonably determine are necessary or desirable in connection with the handling and disposition of the Actions by the Sellers and their Affiliates.

SECTION 6.12. Preservation of and Access to Books and Records. The Purchaser shall preserve and keep all Books and Records of the Business and all information relating to the accounting, business, financial and Tax affairs of the Business that are in existence on the First Closing Date or that come into existence after the First Closing Date but relate to the Business prior to the First Closing Date (in the case of the FDS Assets and the FDS Liabilities) or the Second Closing Date (in the case of the GE/Macy's Assets and the GE/Macy's Liabilities) or the Third Closing Date (in the case of the May Assets and the May Liabilities) for a period of seven (7) years after the Third Closing Date, or for any longer period (i) as may be required by any federal, state, local or foreign governmental body or agency, (ii) as may be reasonably necessary with respect to the prosecution or defense of any audit or other Action that is then pending or threatened, or (iii) that is equivalent to the period established by any applicable statute of limitations (excluding any extension or waiver thereof) with respect to matters pertaining to Taxes. For a period of four (4) years following the seven (7) year period specified above, if the Purchaser wishes to destroy such records, the Purchaser shall first provide the Sellers the opportunity to take possession of the same (at the Sellers' cost and expense).

SECTION 6.13. Bulk Sales Law. The Purchaser hereby waives compliance by the Sellers, in connection with the transactions contemplated hereby, with the provisions of any applicable bulk sales law (including the Uniform Commercial Code Bulk Transfer provisions).

SECTION 6.14. CEBA Bank.

(a) As promptly as practicable after the date of this Agreement (but in any event prior to the First Closing), the Purchaser shall form CEBA Bank by (i) causing an organizing group to execute and file with the OCC all required organization documents; (ii) applying for deposit insurance; and (iii) filing any other required documents with such other applicable Governmental Authorities as the Purchaser shall determine to be necessary or appropriate.

(b) The Purchaser shall use its reasonable best efforts to, as promptly as practicable following the formation of CEBA Bank, cause CEBA Bank to

be (i) licensed and qualified in all jurisdictions necessary to service the Accounts in accordance with all applicable Requirements of Law, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on CEBA Bank or the Business or on the ability of CEBA Bank to perform its duties as servicer, or on ability of CEBA Bank to perform its duties as sub-servicer, under the Prime Pooling and Servicing

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Agreement following the First Closing Date and (ii) licensed to participate in the programs of each of the Card Associations to the extent necessary to perform its obligations hereunder and thereunder following the First Closing.

(c) Pursuant to Section 2.4(d), at the First Closing, the Purchaser shall cause CEBA Bank to issue to FDS Bank (or its assignee) shares of CEBA Preferred Stock with the rights and preferences set forth in Annex E (the "CEBA Equity Interests"). Upon the issuance of the CEBA Equity Interests to FDS Bank (or its assignee), the CEBA Equity Interests will be duly authorized, validly issued, fully paid and nonassessable.

(d) The Purchaser and the CEBA Bank shall file a consolidated federal income Tax Return following the First Closing Date.

SECTION 6.15. Third-Party Consents.

(a) To the extent that any consent needed to assign to the Purchaser any Assigned Contract has not been obtained on or prior to the First Closing Date or the Second Closing Date, as applicable, this Agreement and any document delivered pursuant hereto shall not constitute an assignment or attempted assignment thereof if such assignment or attempted assignment would constitute a breach of such Assigned Contract or would give rise to a valid right of termination thereof. If any such third-party consent shall not be obtained on or prior to the First Closing Date or the Second Closing Date, as applicable, then the parties shall cooperate in entering into alternative arrangements at the First Closing Date or the Second Closing Date, as applicable, pursuant to which the Purchaser would obtain substantially all of the benefits and become responsible for substantially all of the obligations under such Assigned Contract.

(b) The Purchaser and the Sellers shall use commercially reasonable efforts (which for purposes of this Section 6.15 shall not require any payment of money by the Sellers or the Purchaser, except as agreed between them in writing) to seek any required consents to the assignment of the Assigned Contracts which have not been obtained as of the First Closing Date or the Second Closing Date, as applicable, and promptly upon receipt of such consents shall effect such assignments.

(c) The parties shall cooperate to (i) identify Contracts of May Co. and its Affiliates that should be assigned to the Purchaser in connection with the Third Assignment and Assumption and shall mutually agree on the Contracts that shall be so assigned and (ii) identify such third party consents the parties mutually agree are necessary in connection with the Third Assignment and Assumption. The Sellers shall update their Schedules relating to Sections 5.1(c) and 5.1(d) and Schedules 1.1(a) and 7.1 prior to the Third Closing to reflect the existence of any such Contracts or consents and Sections 6.15(a) and 6.15(b) shall apply to such Assigned Contracts mutatis mutandis with respect to the Third Closing Date.

SECTION 6.16. May Portfolio.

(a) FDS shall permit the Purchaser to conduct reasonable due diligence with respect to the May Assets and the May Liabilities at a time to be mutually agreed by the parties between sixty (60) days and one hundred twenty (120) days prior to the anticipated Third

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Closing Date. Except as set forth in Sections 6.16(b), the Purchaser's rights and obligations hereunder shall not be affected in any manner by such due diligence.

(b) In the event that:

(i) the requirement set forth in Schedule 6.16 with respect to this Section 6.16(b)(i) shall not have been satisfied, or

(ii) as a result of the due diligence specified in Schedule 6.16, the Purchaser determines that FDS will be unable to make one or more of the representations and warranties referred to in Section 9.2(b) and that such failure would constitute a failure of the closing condition set forth in Section 9.2(b) and provides written notice of such determination to FDS, or

(iii) following the closing of the May Merger, FDS provides written notice to the Purchaser that FDS will be unable to make one or more of the representations and warranties referred to in Section 9.2(b) and that such failure would constitute a failure of the closing condition set forth in Section 9.2(b),

then the following shall apply. In the event of a notice delivered by the Purchaser to FDS, the Purchaser may elect in such notice (A) to close the Third Purchase and Assumption and waive the obligation of FDS to make the representations and warranties with respect to the facts and circumstances giving rise to the inability of FDS to make such representations or warranties identified pursuant to clause (b)(ii) or (b)(iii) above or permit FDS to modify such representations and warranties such that FDS is able to make such representations and warranties, or (B) to initiate a renegotiation of the May Purchase Price (it being understood that the Purchaser shall not propose any adjustment to the financial or other terms and conditions of the Program Agreement other than as expressly contemplated in Sections 4.8 and 4.9 of the Program Agreement; provided that (i) the Purchaser will take into account the terms and conditions of the Program Agreement when proposing any adjustment to the May Purchase Price and (ii) nothing herein shall preclude the Purchaser from proposing to reduce the May Purchase Price to below the Gross Receivables value of the May Assets). In the event of a notice delivered by FDS to Purchaser, the Purchaser shall, within ten (10) Business Days following the receipt of such notice, make one of the specified elections set forth in the previous sentence by written notice to FDS. If Purchaser makes an election set forth in clause (A) above, the parties shall cooperate to close the Third Purchase and Assumption in accordance with such election; provided that the closing of the Third Purchase and Assumption shall not constitute a waiver by the Purchaser of any of its rights to be indemnified for Losses other than Losses arising out of or relating to the facts and circumstances giving rise to the inability of FDS to make the representations and warranties identified pursuant to clause (b)(ii) or (b)(iii) above. If Purchaser makes an election set forth in clause (B) above, the parties shall negotiate in good faith to agree upon a revised May Purchase Price; provided that if the parties do not agree upon a revised May Purchase Price within thirty (30) days following the date of the receipt of the notice of election by Purchaser, then FDS may take either of the following actions in its sole discretion: (Y) accept the price last proposed by the Purchaser during the thirty (30) day period as the new May Purchase Price; or (Z) terminate this Agreement in its entirety pursuant to Section 10.3.

SECTION 6.17. Interim Servicing. Notwithstanding that following the First Closing FDS is no longer the Servicer, FDS hereby agrees that during the period from the First Closing and until December 15, 2005, it shall use its reasonable best efforts to prepare or cause to be prepared the reports specified in Schedule 6.17 and deliver or cause to be delivered such reports to Purchaser within time frames mutually agreed upon by the parties. FDS hereby agrees to provide Purchaser with all necessary and reasonable access to its facilities and personnel necessary for Purchaser to (i) verify the accuracy and completeness of the data contained in each such report and (ii) prepare the annual servicer's certificate and the annual independent accountants' report in accordance with the Prime Pooling and Servicing Agreement. In consideration for performing the services set forth in this Section 6.17 (the "Interim Services"), Purchaser shall pay by wire transfer of immediately available funds (in U.S. dollars) to FDS within ten (10) Business Days of the receipt of any invoice from FDS in respect of the Interim Services the actual costs and expenses (including allocated costs and expenses) incurred by FDS and its Affiliates in providing the Interim Services as set forth on such invoice. The amount of such payment shall not be a "Program Expense" under the Program Agreement. The Purchaser shall indemnify and hold harmless FDS and its Affiliates from any and all Losses arising from the performance of the Interim Services, except to the extent any of the foregoing acted with gross negligence or willful misconduct in performing

such Interim Services.

SECTION 6.18. Securitization Matters. (a) At the First Closing Date, FDS shall cause Jones Day, counsel to FDS, to deliver to the Purchaser a reliance letter with respect to the most recent opinion of Jones Day with respect to the Prime Securitization Receivables (the "Jones Day Opinion"), together with a certificate from a duly authorized officer of FDS that the assumptions set forth or referred to in the Jones Day Opinion have been complied with in all material respects since the date of such opinion.

(b) In the event that FDS is unable to make any of the representations and warranties set forth in Section 5.1(s) at the First Closing or the Second Closing or the Third Closing, as applicable, FDS shall not be required to make such representations and warranties and FDS shall make such other representations and warranties with respect to the subject matter of Section 5.1(s) as shall be mutually agreed between the Purchaser and FDS.

ARTICLE VII CONDITIONS TO EFFECT THE FIRST PURCHASE AND ASSUMPTION

SECTION 7.1. Conditions to Each Party's Obligations. The respective obligations of the Sellers and the Purchaser to effect the First Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the First Closing Date, of the following conditions:

(a) Governmental and Regulatory Approvals. All of the Requisite Regulatory Approvals shall have been obtained and shall be in full force and effect and all waiting periods required by law (including under the HSR Act) shall have expired or been terminated, and all other approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required to effect the First Purchase and Assumption shall have been

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obtained and shall be in full force and effect, except to the extent that the failure to obtain such an approval or authorization (other than a Requisite Regulatory Approval) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or on the Sellers or the Purchaser.

(b) Third Party Consents. The consents and approvals of the Persons set forth in Schedule 7.1 with respect to the First Closing shall have been obtained and shall be in full force and effect, except to the extent that the failure to obtain such a consent or approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business.

(c) No Injunction or Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements.

(d) Program Agreement. The Program Agreement shall have been duly executed and delivered by the parties thereto.

(e) Instrument of Assignment and Assumption. The First Instrument of Assignment and Assumption shall have been duly executed and delivered by the parties thereto.

(f) Financing Statements. Sellers shall have executed and delivered UCC-1 financing statements to be filed in the Offices of the Secretaries of State of any state necessary to perfect the sale of the Gross Receivables purchased pursuant to the First Purchase and Assumption.

(g) Required Amendments and Confirmations. The Required Amendments and Confirmations shall have been obtained and shall have become effective in accordance with their terms.

(h) Prime II. The Sellers shall have given all notices and satisfied all conditions necessary to pay, and shall have paid in full, the investor certificates issued by Prime II Master Trust and shall have terminated the Prime

II Master Trust.

(i) Card Associations. The Card Associations shall have confirmed that, upon the consummation of the First Purchase and Assumption, CEBA Bank shall be a Participating Member in the VISA Partnership Program in good standing with all necessary power and authority under the by-laws and membership and operating rules of the Card Associations to carry on the Business and issue Credit Cards as contemplated by the Program Agreement.

SECTION 7.2. Conditions to Obligations of the Purchaser. The obligations of the Purchaser to effect the First Purchase and Assumption are subject to the fulfillment or waiver by it in writing, at or prior to the First Closing Date, of the following additional conditions:

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(a) Performance. The Sellers shall have performed in all material respects all their covenants and agreements set forth in this Agreement to the extent required to be performed at or prior to the First Closing Date.

(b) Representations. The representations of FDS set forth in this Agreement shall be true and correct as of (1) the date of this Agreement and (2) the First Closing Date (except that representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or other materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business or the Sellers.

(c) Certificate. The Purchaser shall have received a certificate signed on each Sellers' behalf by an executive officer of each Seller, dated the First Closing Date, to the effect that the conditions set forth in Sections 7.2(a) and 7.2(b) have been satisfied.

(d) Securitization Opinions. The Purchaser shall have received copies of any Tax opinions or other opinions to the trustee expressly required by the Securitization Documents to be delivered on behalf of the Sellers in order to consummate the transactions contemplated hereby.

SECTION 7.3. Conditions to Obligations of the Sellers. The obligations of the Sellers to effect the First Purchase and Assumption are subject to the fulfillment or waiver by them in writing, at or prior to the First Closing Date, of the following additional conditions:

(a) Performance. The Purchaser shall have performed in all material respects all its covenants and agreements set forth in this Agreement to the extent required to be performed at or prior to the First Closing Date.

(b) Representations. The representations of the Purchaser set forth in this Agreement shall be true and correct as of (i) the date of this Agreement and (ii) the First Closing Date (except that any representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Business following the First Closing Date or on the Purchaser.

(c) Certificate. The Sellers shall have received a certificate signed on the Purchaser's behalf by an executive officer of the Purchaser, dated the First Closing Date, to the effect that the conditions set forth in Sections 7.3(a) and 7.3(b) have been satisfied.

(d) Securitization Opinions. The Sellers shall have received copies of any Tax opinions or other opinions provided to the Purchaser, on behalf of the Sellers, as required by the Securitization Documents, rating agencies or trustee in connection with the acquisition of the Prime Stock and the assumption of the roles of transferor and servicer under the Prime Master Trust in order to consummate the transactions contemplated hereby.

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(e) CEBA Equity Interests. The Purchaser shall have taken all of the required actions, corporate and otherwise, to cause CEBA Bank to issue to FDS Bank (or its assignee) the CEBA Equity Interests.

ARTICLE VIII

CONDITIONS TO EFFECT THE SECOND PURCHASE AND ASSUMPTION

SECTION 8.1. Conditions to Each Party's Obligations. The respective obligations of the Sellers and the Purchaser to effect the Second Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Second Closing Date, of the following conditions:

(a) Governmental and Regulatory Approvals. All of the Requisite Regulatory Approvals shall have been obtained and shall be in full force and effect and all waiting periods required by law (including under the HSR Act) shall have expired or been terminated, and all other approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required to effect the Second Purchase and Assumption shall have been obtained or made and shall be in full force and effect, except to the extent that the failure to obtain such an approval or authorization (other than a Requisite Regulatory Approval) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets following the Second Closing Date.

(b) Third Party Consents. The consents and approvals of the Persons set forth in Schedule 7.1 with respect to the Second Closing shall have been obtained and shall be in full force and effect, except to the extent that the failure to obtain such a consent or approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets following the Second Closing Date.

(c) No Injunction or Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that is in effect and prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements to occur on the Second Closing Date.

(d) Instrument of Assignment and Assumption. The Second Instrument of Assignment and Assumption shall have been duly executed and delivered by the parties thereto.

(e) Financing Statements. Sellers shall have executed and delivered UCC-1 financing statements to be filed in the Offices of the Secretaries of State of any states necessary to perfect the sale of the Gross Receivables purchased pursuant to the Second Purchase and Assumption.

(f) Completion of First Closing. The First Purchase and Assumption shall have been completed either prior to or contemporaneously with the Second Purchase and Assumption.

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(g) Termination of GE/Macy's Program Agreement. The GE/Macy's Program Agreement shall have terminated and the GE/Macy's Accounts and related assets and liabilities shall have been reconveyed to the Sellers or their designee (which may be the Purchaser) prior to or contemporaneously with the Second Closing.

SECTION 8.2. Conditions to Obligations of the Purchaser. The obligations of the Purchaser to effect the Second Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Second Closing Date, of the following additional conditions:

(a) Performance of Obligations. The Sellers shall have performed in all material respects all their covenants and agreements set forth in this Agreement with respect to the GE/Macy's Assets and the GE/Macy's Liabilities to the extent required to be performed at or prior to the Second Closing Date.

(b) Representations. The representations of FDS set forth in this Agreement (other than the representations in Sections 5.1(e)(1), (l)(1), (m),

(n) and (q), and any other representations of FDS to the extent relating to the FDS Assets and the FDS Liabilities) shall be true and correct as of (i) the date of this Agreement and (ii) the Second Closing Date (except that representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets or on the Sellers.

(c) Certificate. The Purchaser shall have received a certificate signed on each Seller's behalf by an executive officer of each Seller, dated the Second Closing Date, to the effect that the conditions set forth in Sections 8.2(a) and 8.2(b) have been satisfied.

SECTION 8.3. Conditions to Obligations of FDS and FDS Bank. The obligations of the Sellers to effect the Second Purchase and Assumption are subject to the fulfillment or waiver in writing, at or prior to the Second Closing Date, of the following additional conditions:

(a) Performance. The Purchaser shall have performed in all material respects all its covenants and agreements set forth in this Agreement to the extent required at or prior to the Second Closing Date.

(b) Representations. The representations of the Purchaser set forth in this Agreement (other than the representations in Sections 5.2(e), (k) and (l)) shall be true and correct as of the date of this Agreement and the Second Closing Date (except that any representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the GE/Macy's Assets or on the Purchaser.

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(c) Certificate. The Sellers shall have received a certificate signed on the Purchaser's behalf by an executive officer of the Purchaser, dated the Second Closing Date, to the effect that the conditions set forth in Sections 8.3(a) and 8.3(b) have been satisfied.

ARTICLE IX CONDITIONS TO EFFECT THE THIRD PURCHASE AND ASSUMPTION

SECTION 9.1. Conditions to Each Party's Obligations. The respective obligations of the Sellers and the Purchaser to effect the Third Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Third Closing Date, of the following conditions:

(a) Governmental and Regulatory Approvals. All of the Requisite Regulatory Approvals shall have been obtained and shall be in full force and effect and all waiting periods required by law (including under the HSR Act) shall have expired or been terminated, and all other approvals or authorizations of, filings and registrations with, and notifications to, all Governmental Authorities required to effect the Third Purchase and Assumption shall have been obtained or made and shall be in full force and effect, except to the extent that the failure to obtain such an approval or authorization (other than a Requisite Regulatory Approval) would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the May Assets following the Third Closing Date.

(b) Third Party Consents. The consents and approvals of the Persons set forth in Schedule 7.1 with respect to the Third Closing shall have been obtained and shall be in full force and effect, except to the extent that the failure to obtain such a consent or approval would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the May Assets following the Third Closing Date.

(c) No Injunction or Prohibition. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or

other order (whether temporary, preliminary or permanent) that is in effect and prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements to occur on the Third Closing Date.

(d) Instrument of Assignment and Assumption. The Third Instrument of Assignment and Assumption shall have been duly executed and delivered by the parties thereto.

(e) Financing Statements. Sellers shall have executed and delivered UCC-1 financing statements to be filed in the Offices of the Secretaries of State of any states necessary to perfect the sale of the Gross Receivables purchased pursuant to the Third Purchase and Assumption.

(f) Completion of First and Second Closing. The First and Second Purchase and Assumption shall have been completed either prior to or contemporaneously with the Third Purchase and Assumption.

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(g) Closing of the May Merger. The May Merger shall have been consummated.

SECTION 9.2. Conditions to Obligations of the Purchaser. The obligations of the Purchaser to effect the Third Purchase and Assumption are subject to the fulfillment or written waiver, at or prior to the Third Closing Date, of the following additional conditions:

(a) Performance of Obligations. The Sellers shall have performed in all material respects all their covenants and agreements set forth in this Agreement with respect to the May Assets and the May Liabilities to the extent required to be performed at or prior to the Third Closing Date.

(b) Representations. Subject to Sections 6.16(b) and (c), FDS shall make the representations set forth in Section 5.1, as of the Third Closing Date, mutatis mutandis as if the May Assets were the FDS Assets or the GE/Macy's Assets, as applicable, and the May Liabilities were the FDS Liabilities or the GE/Macy's Liabilities, as applicable (to the extent the categories of FDS Assets, FDS Liabilities, GE/Macy's Assets and GE/Macy's Liabilities, on the one hand, and the May Assets and the May Liabilities, on the other hand, are of similar nature); provided that the representation contained in Section 5.1(e)(2) shall be made with respect to the financial information set forth in Schedule 9.2(b); provided, further, that FDS shall not make the representations in Sections 5.1(e)(1), (l)(1), (m), (n) and (q) or any representations with respect to the Prime Stock, the FDS Assets, the FDS Liabilities, the GE/Macy's Assets or the GE/Macy's Liabilities; and provided, further, that solely for the purposes of the representations and warranties made pursuant to this Section 9.2(b) and all rights arising therefrom, including any rights to indemnification, the term "Business" shall include the May Business.

(c) Certificate. The Purchaser shall have received a certificate signed on each Seller's behalf by an executive officer of each Seller, dated the Third Closing Date, to the effect that the conditions set forth in Section 9.2(a) have been satisfied and making the representations specified in Section 9.2(b).

SECTION 9.3. Conditions to Obligations of FDS and FDS Bank. The obligations of the Sellers to effect the Third Purchase and Assumption are subject to the fulfillment or waiver in writing, at or prior to the Third Closing Date, of the following additional conditions:

(a) Performance. The Purchaser shall have performed in all material respects all its covenants and agreements set forth in this Agreement to the extent required at or prior to the Third Closing Date.

(b) Representations. The representations of the Purchaser set forth in this Agreement (other than the representations in Sections 5.2(e), (k) and (l)) shall be true and correct as of the date of this Agreement and the Third Closing Date (except that any representations that by their terms speak as of the date of this Agreement or some other date shall be true and correct only as of such date), except to the extent that any failure to be so true and correct (after excluding the effect of any Knowledge, Material Adverse Effect or materiality qualifier set forth in any such representation) would not reasonably

be expected to have, individually or in the aggregate, a Material Adverse Effect on the May Assets or on the Purchaser.

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(c) Certificate. The Sellers shall have received a certificate signed on the Purchaser's behalf by an executive officer of the Purchaser, dated the Third Closing Date, to the effect that the conditions set forth in Sections 9.3(a) and 9.3(b) have been satisfied.

ARTICLE X TERMINATION

SECTION 10.1. Termination Prior to the First Closing. This Agreement may be terminated at any time before the First Closing Date:

(a) by the mutual written consent of the parties hereto;

(b) by either the Purchaser or FDS, if any Requisite Regulatory Approval or any other approval of a Governmental Authority, the lack of which would result in the failure to satisfy the condition set forth in Section 7.1(a), has been denied by the applicable Governmental Authority and such denial has become final and nonappealable;

(c) by either the Purchaser or FDS, if prior to the First Closing,
(i) any permanent injunction or action by any Governmental Authority of competent jurisdiction prohibiting consummation of the transactions contemplated by this Agreement or the Ancillary Agreements becomes final and nonappealable;
(ii) any law or regulation makes consummation of the transactions contemplated by this Agreement or the Ancillary Agreements illegal or otherwise prohibited;
or (iii) consummation of the transactions contemplated by this Agreement or the Ancillary Agreements would violate any nonappealable final order, decree or judgment of any Governmental Authority having competent jurisdiction;

(d) by either the Purchaser or FDS if the First Purchase and Assumption is not consummated by March 1, 2006; provided, however, that neither the Purchaser nor FDS may terminate this Agreement pursuant to this Section 10.1(d) if such party's breach of any representation, warranty or covenant contained herein has been the cause of or resulted in the failure to consummate such transactions by such date; or

(e) by either the Purchaser or FDS, in the event of a breach or default in the performance by the other party of any representation, warranty, covenant or agreement of such other party, which breach or default (i) would, individually or in the aggregate with all other uncured breaches and defaults of such other party, constitute grounds for the conditions set forth in Section 7.2(a) or (b) or Section 7.3(a) or (b), as the case may be, not to be satisfied at the First Closing Date, and (ii) has not been, or cannot be, cured within thirty (30) days after written notice, describing such breach or default in reasonable detail, is given by the terminating party to the breaching or defaulting party.

SECTION 10.2. Termination Prior to the Second Closing(a) . This Agreement may be terminated following the First Closing Date and prior to the Second Closing Date by either the Purchaser or FDS if the Second Purchase and Assumption is not consummated by December 31, 2006; provided, however, that neither the Purchaser nor FDS may terminate this Agreement pursuant to this Section 10.2 if such party's breach of any representation, warranty or covenant

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contained herein has been the cause of or resulted in the failure to consummate such transactions by such date.

SECTION 10.3. Termination Prior to the Third Closing. This Agreement may be terminated pursuant to Section 6.16(b) following the First Closing Date and prior to the Third Closing Date.

SECTION 10.4. Effect of Termination.

(a) If this Agreement is terminated, it shall become void and of no

further effect and no party hereto (or any of its Affiliates, directors, officers, representatives or agents) shall have any liability or further obligation to any other party to this Agreement, except (i) for payment of the Termination Fee if applicable in accordance with Section 10.4(b), (ii) the representations set forth in Sections 5.1(p) and 5.2(j) and the obligations set forth in Sections 6.3(b)-(d), this Section 10.4 and Article XIII (other than Section 13.10 thereof) shall continue to apply following any such termination and (iii) termination of this Agreement shall not relieve any party of any liability arising out of or resulting from any knowing, willful or intentional breach of this Agreement by such party prior to such termination.

Notwithstanding the foregoing, if this Agreement is terminated after the First Closing Date or the Second Closing Date, then this Agreement shall remain in effect but solely as to the matters relating to any Acquired Assets and Stock sold to the Purchaser prior to such termination.

(b) If this Agreement is terminated pursuant to Section 10.1(b) as a result of the Purchaser's failure to obtain the approval of the Office of the Comptroller of the Currency (the "OCC") required to be obtained by it or approval of the Board of Governors of the Federal Reserve System where such approval is necessary pursuant to any Requirement of Law or because the OCC or the Board of Governors of the Federal Reserve System shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, by-law, judgment, decree, injunction or other order (whether temporary, preliminary or permanent) that prohibits or makes illegal consummation of the transactions contemplated by this Agreement or the Ancillary Agreements, then the Purchaser shall promptly, but in no event later than date of such termination, pay FDS an amount equal to the Termination Fee by wire transfer of immediately available funds. The parties acknowledge that the agreement contained in this Section 10.4(b) is an integral part of the transactions contemplated by this Agreement, and that, without this agreement, FDS and FDS Bank would not enter into this Agreement; accordingly, if the Purchaser fails to pay promptly any amount due pursuant to this Section 10.4(b), and, in order to obtain such payment, FDS or FDS Bank commences a suit which results in a judgment against the Purchaser for the Termination Fee, the Purchaser shall pay to FDS its reasonable costs and expenses (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amount of the fee at the Federal Funds Rate in effect on the date such payment was required to be made notwithstanding the provisions of Section 10.4(b). The parties agree that any remedy or amount payable pursuant to this Section 10.4(b) shall constitute FDS's sole and exclusive remedy for the Purchaser's failure to obtain the approvals referred to above from the OCC or the Board of Governors of the Federal Reserve System.

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ARTICLE XI TAX MATTERS

SECTION 11.1. Cooperation. The parties hereto shall furnish or cause to be furnished (and shall cause Prime to furnish) to each other, promptly upon reasonable request, any information and assistance relating to the Acquired Assets and Stock, the Business and Prime as the requesting party deems reasonably necessary in connection with the filing of any Tax Returns, the preparation for any audit by any Governmental Authority, the response to any inquiry by a Governmental Authority, the mailing or filing of any notice and the prosecution or defense of any claim, suit or proceeding relating to any Tax Returns or any other filing required to be made with any Governmental Authority or any other matter related to Taxes.

SECTION 11.2. Tax Returns. All Tax Returns filed by the Sellers or Prime for periods ending on or before the First Closing Date (or the Second Closing Date in the case of the GE/Macy's Assets and the Third Closing Date in the case of the May Assets) shall remain the property of the Sellers. The Purchaser shall be given access to Tax Returns as deemed reasonably necessary in the sole discretion of the Sellers.

SECTION 11.3. Conveyance Taxes. All excise, sales, use, transfer, documentary, stamp or similar Taxes that are payable or that arise as a result of the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements and any recording or filing fees with respect thereto shall be borne by the Purchaser. Such Taxes shall not be considered Excluded Liabilities.

SECTION 11.4. Refunds. The Purchaser shall, if the Sellers so request and at the Sellers' expense (for reasonable out-of-pocket costs and expenses), cooperate with the Sellers to file for and obtain any Tax refund or credit related to the Business or the Acquired Assets and Stock or Prime that relates to any period ending on or before the First Closing Date (in the case of Prime, the FDS Assets or the Business (other than the GE/Macy's Assets and the May Assets)), the Second Closing Date (in the case of the GE/Macy's Assets) or the Third Closing Date (in the case of the May Assets). If the Purchaser at any time receives a Tax refund or credit described in the immediately preceding sentence, the Purchaser shall promptly pay over such refund or the amount of such credit to the Sellers; provided, however, that, if a Governmental Authority at any time requires the Purchaser to reimburse such Governmental Authority for the amount of any refund or credit previously paid to the Sellers, the Sellers jointly and severally shall indemnify, hold harmless and reimburse the Purchaser and its Affiliates for the amount of such refund or credit, including all interest, penalties, costs and expenses associated therewith. Any Tax refunds or credits relating to Prime, the FDS Assets, the GE/Macy's Assets, the May Assets or the Business with respect to a Straddle Period shall be equitably apportioned between the Purchaser, on the one hand, and the Sellers, on the other hand. Notwithstanding the foregoing, the Purchaser shall be entitled to all refunds with respect to any Taxes paid pursuant to Section 11.3.

SECTION 11.5. Tax Filing Obligations. FDS shall include Prime's taxable income and the income of the Master Trusts through the close of business on the First Closing Date in FDS's consolidated federal income Tax Returns and in any combined, consolidated or unitary Tax Returns that include Prime, and shall pay or cause Prime to pay any Taxes due with

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respect thereto. FDS shall prepare and timely file (or cause to be prepared and timely filed) all Tax Returns with respect to (i) Prime, the FDS Assets and the Business (other than the GE/Macy's Assets and the May Assets) for all periods ending on or before the First Closing Date, (ii) the GE/Macy's Assets for all periods ending on or before the Second Closing Date and (iii) the May Assets for all periods ending on or before the Third Closing Date. With respect to state and local Tax Returns required to be filed after the First Closing Date (in the case of Prime, the FDS Assets or the Business (other than the GE/Macy's Assets and the May Assets)), the Second Closing Date (in the case of the GE/Macy's Assets) or the Third Closing Date (in the case of the May Assets), FDS shall, when permitted by applicable Requirements of Law, elect to file a short-period Tax Return for the portion of such period which ends on the First Closing Date, the Second Closing Date or the Third Closing Date as applicable. FDS shall prepare and timely file (or cause to be prepared and timely filed) all such short-period Tax Returns.

SECTION 11.6. Purchase Price Allocations; Section 338(h)(10) Election.

(a) FDS and the Purchaser shall join in timely making an election under Section 338(h)(10) of the Code and any comparable provision of state, local or foreign Tax law with respect to the sale of the Prime Stock (collectively, the "Section 338(h)(10) Election"). FDS and the Purchaser shall cooperate in the completion and timely filing of the Section 338(h)(10) Election in accordance with the provisions of Treasury Regulation Section 1.338(h)(10)-1 and any comparable provisions of state, local or foreign Tax law. In furtherance of the foregoing, (i) prior to the First Closing Date, FDS and the Purchaser shall agree, based on information then available, on the form and content of Internal Revenue Service ("IRS") Form 8023 ("Form 8023"), and (ii) on or prior to the First Closing Date, FDS and the Purchaser shall execute two originals of such Form 8023, containing information then available. Such Form 8023 shall be filed in accordance with applicable Requirements of Law.

(b) Following the First Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of (i) the FDS Purchase Price between the FDS Assets (the "FDS Allocation Amount") and the Prime Stock (the "Prime Stock Amount"), and (ii) the FDS Allocation Amount, the FDS Liabilities, to the extent required, and any other relevant amount among the FDS Assets (together, the "First Closing Allocation"). The First Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less than the following amount (the "Minimum FDS Allocation") to items (1), (4), (5), (6) and (7) of the

definition of "FDS Assets" (such assets, collectively, the "FDS Account Assets"):

$.06 \times [(FDS \text{ Purchase Price} + FDS \text{ Liabilities}) - \$50,000,000] + \$50,000,000.$

If the parties cannot agree on the First Closing Allocation within ninety (90) days after the First Closing Date, the First Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); provided, that the Accountant shall not allocate less than the Minimum FDS Allocation to the FDS Account Assets. Notwithstanding anything to the contrary contained herein, the Purchaser and the Sellers shall use the First Closing Allocation, as finally determined pursuant to this Section 11.6(b), for all Tax purposes, including the filing of IRS Forms 8594 and 8883 and all other Tax Returns. If the FDS Purchase

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Price or the FDS Liabilities are adjusted, the parties shall revise the First Closing Allocation on a basis consistent with this Section 11.6(b) in order to reflect such adjustment.

(c) Following the determination of the Prime Stock Amount pursuant to Section 11.6(b) above, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the Prime Stock Amount, any other relevant items appropriately treated as purchase price attributable to the Prime Stock and the Liabilities of Prime among the assets of Prime in compliance with the requirements of Sections 338 and 1060 of the Code (the "Prime Allocation"). If the parties cannot agree on the Prime Allocation within forty-five (45) days after the determination of the Prime Stock Amount, each of the Sellers, on the one hand, and the Purchaser, on the other hand, shall use its own allocation for all Tax purposes, including the filing of IRS Form 8883 and all other Tax Returns. If the Prime Stock Amount or a Liability of Prime is adjusted, the parties shall revise the Prime Allocation, if any, on a basis consistent with this Section 11.6(c) in order to reflect such adjustment.

(d) Following the Second Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the GE/Macy's Purchase Price, the GE/Macy's Liabilities, to the extent required, and any other relevant amount among the GE/Macy's Assets (the "Second Closing Allocation"). The Second Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less the following amount (the "Minimum GE/Macy's Allocation") to items (1), (4), (5), (6) and (7) of the definition of "GE/Macy's Assets" (such assets, collectively, the "GE/Macy's Account Assets"):

$.06 \times [(GE/Macy's \text{ Purchase Price} + GE/Macy's \text{ Liabilities}) - \$20,000,000] + \$20,000,000.$

If the parties cannot agree on the Second Closing Allocation within ninety (90) days after the Second Closing Date, the Second Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); provided, that the Accountant shall not allocate less than the Minimum GE/Macy's Allocation to the GE/Macy's Account Assets. Notwithstanding anything to the contrary contained herein, the Purchasers and the Sellers shall use the Second Closing Allocation, as finally determined pursuant to this Section 11.6(d), for all Tax purposes, including the filing of IRS Form 8594 and all other Tax Returns. If the GE/Macy's Purchase Price or the GE/Macy's Liabilities are adjusted, the parties shall revise the Second Closing Allocation on a basis consistent with this Section 11.6(d) in order to reflect such adjustment.

(e) Following the Third Closing Date, the Purchaser and the Sellers shall attempt to agree on the allocation solely for Tax purposes of the May Purchase Price, the May Liabilities, to the extent required, and any other relevant amount among the May Assets (the "Third Closing Allocation"). The Third Closing Allocation shall comply with the requirements of Sections 338 and 1060 of the Code and shall provide for an allocation of not less than the following amount (the "Minimum May Allocation") to items (1), (4), (5), (6) and (7) of the definition of "May Assets" (such assets, collectively, the "May Account Assets"):

.06 x [(May Purchase Price + May Liabilities) - \$30,000,000] + \$30,000,000.

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If the parties cannot agree on the Third Closing Allocation within ninety (90) days after the Third Closing Date, the Third Closing Allocation shall be determined by the Accountant through the dispute resolution method described in Section 2.3(c); provided, that the Accountant shall not allocate less than the Minimum May Allocation to the May Account Assets. Notwithstanding anything to the contrary contained herein, the Purchaser and the Sellers shall use the Third Closing Allocation, as finally determined pursuant to this Section 11.6(e), for all Tax purposes, including the filing of IRS Form 8594 and all other Tax Returns. If the May Purchase Price or the May Liabilities are adjusted, the parties shall revise the Third Closing Allocation on a basis consistent with this Section 11.6(e) in order to reflect such adjustment.

(f) The Purchaser, on the one hand, and the Sellers, on the other hand, shall promptly inform one another of any challenge by any Governmental Authority to any allocation made pursuant to this Section 11.6 and shall consult and keep one another reasonably informed with respect to the status of any discussion, proposal or submission regarding such challenge. Notwithstanding the foregoing, in the event the IRS (or any other Governmental Authority) challenges any allocation made pursuant to this Section 11.6, the applicable party may settle or litigate such challenge without the consent of the other parties.

SECTION 11.7. Straddle Periods. In the case of Taxes that are payable with respect to a Straddle Period, the portion of any such Tax that is allocable to the portion of the period ending on the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable, shall be:

(a) in the case of income Taxes, sales Taxes, employment Taxes and other Taxes that are readily apportionable based on an actual or deemed closing of the books deemed to equal the amount which would be payable if the taxable period ended on the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable; and

(b) in the case of all other Taxes, deemed to be the amount of such Taxes for the entire Straddle Period multiplied by a fraction the numerator of which is the number of calendar days in the portion of the Straddle Period ending on the First Closing Date, the Second Closing Date or the Third Closing Date, as applicable, and the denominator of which is the number of calendar days in the entire Straddle Period.

SECTION 11.8. Tax Contests. (a) The Sellers shall control the conduct of any audit or other administrative or judicial proceeding with respect to Taxes relating to Prime, the FDS Assets, the GE/Macy's Assets, the May Assets or the Business (a "Tax Contest") solely to the extent of any issues for which the Sellers have an indemnification obligation under this Agreement (other than with respect to a Straddle Period or a Tax Contest involving a consolidated, combined, affiliated or unitary Tax Return which includes the Purchaser or any Affiliate thereof (including Prime), which Tax Contest shall be conducted as provided in clauses (b)-(c) below), and the Purchaser shall control the conduct of all other Tax Contests with respect to any Tax Liability relating to Prime, the FDS Assets, the GE/Macy's Assets, the May Assets or the Business; (b) in the case of any Tax Contest with respect to a Straddle Period, the controlling party shall be whichever of the Purchaser, on the one hand, or the Sellers, on the other hand, would bear the greater Tax Liability with respect to such Tax Contest if the Governmental

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Authority was successful in such proceeding; provided, however, that neither party shall settle such Tax Contest without the prior written consent of the other party, which consent shall not be unreasonably withheld and (c) neither any Seller nor any Affiliate thereof shall be entitled to (i) review any consolidated, combined, affiliated or unitary Tax Return which includes the Purchaser or any Affiliate thereof (including Prime), or (ii) participate in any Tax Contest with respect to any consolidated, combined, affiliated or unitary Tax Return which includes the Purchaser or any Affiliate thereof (including Prime).

SECTION 11.9. Payments. Payment by an indemnifying party of any amount with respect to Taxes under this Agreement shall be made within fifteen (15) days following written notice by the indemnified party that payment of such amounts to the appropriate Governmental Authority is due. In the case of a Tax that is contested in accordance with the provisions of this Article XI, payment of the Tax to the appropriate Governmental Authority shall be considered to be due no earlier than the date a final determination to such effect is made by the appropriate Governmental Authority.

SECTION 11.10. Survival of Tax Indemnities. The obligations of the parties with respect to indemnification for Taxes under this Agreement, and the representations and warranties set forth in Section 5.1(o), shall remain in full force and effect until sixty (60) days after the expiration of all applicable statutes of limitations (including extensions) for the assessment or collection of Taxes for which indemnification may be claimed under this Agreement.

SECTION 11.11. FIRPTA Certificates. On or prior to each of the First Closing Date, the Second Closing Date and the Third Closing Date, the Purchaser shall have received from each of the Sellers a certificate in compliance with Treasury Regulation Section 1.1445-2(b), certifying that such Seller is not a "foreign person" under Section 1445 of the Code.

SECTION 11.12. Tax Sharing Agreements. Notwithstanding anything to the contrary contained herein, all Liabilities and obligations between the Sellers and any of their Affiliates (other than Prime), on the one hand, and Prime, on the other hand, under any Tax allocation, Tax sharing, Tax reimbursement or other similar agreement or arrangement in effect prior to the First Closing Date shall cease and terminate as of the First Closing Date and shall no longer be enforceable.

ARTICLE XII SURVIVAL; INDEMNIFICATION

SECTION 12.1. Survival.

(a) The representations or warranties of the parties in this Agreement shall survive the First Closing until the eighteen (18) month anniversary of the First Closing Date; provided that (i) the representations and warranties made pursuant to Sections 5.1(a), (b), (g), (l)(1), (l)(2) and (p) and Sections 5.2(a), (b) and (j) shall survive indefinitely and (ii) the representations and warranties in Section 5.1(o) shall survive as provided in Article XI. In addition, the representations or warranties of FDS in Sections 5.1(c), (d), (e)(2), (f), (h), (j), (k), (l)(3)-(10), (r) and (s) in each case with respect to the GE/Macy's Assets and GE/Macy's

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Liabilities, and the representations of the Purchaser in Section 5.2, except pursuant to Section 5.2(e), shall survive the Second Closing until the eighteen (18) month anniversary of the Second Closing Date.

(b) The representations or warranties of FDS made pursuant to Section 9.2(b) and the representations of the Purchaser made pursuant to Section 5.2 (except in respect of the representation set forth in Section 5.2(e)) shall survive the Third Closing until the eighteen (18) month anniversary of the Third Closing Date; provided that (i) the representations and warranties made on the same basis as Sections 5.1(a), (b), (g), (l)(2) and (p) and the representations and warranties made pursuant to Sections 5.2(a), (b) and (j) shall survive indefinitely and (ii) the representations and warranties made on the same basis as Section 5.1(o) shall survive as provided in Article XI.

(c) No claim for indemnification pursuant to this Article XII for breach of any representation or warranty may be brought after the date on which such representation or warranty no longer survives; provided, that if a written notice of a claim for indemnification is given to the indemnifying party in accordance with Section 12.4(a) prior to the termination of the applicable survival period, the indemnifying party's obligation hereunder with respect to such indemnification claim shall survive until such claim has been finally resolved.

SECTION 12.2. Indemnification by the Sellers. Subject to the

provisions of this Article XII, after the First Closing Date, FDS shall indemnify the Purchaser and its Affiliates against, and agree to hold each of them harmless from, any and all damage, loss, liability, cost, claim, interest, award, judgment, penalty or expense (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding) ("Losses") incurred or suffered by the Purchaser or any of its Affiliates because of (1) any breach of a representation or warranty of the Sellers contained in Section 5.1 or made pursuant to Section 9.2(b) (and, with respect to representations and warranties made pursuant to Section 9.2(b), the references to Section 5.1 throughout this Section 12.2 shall be deemed to refer to the corresponding representations and warranties made pursuant to Section 9.2(b)) determined without regard to any Knowledge, Material Adverse Effect or materiality qualifier therein (except in the case of the representations set forth in Sections 5.1(e)(1) and (f)), (2) any breach of an agreement or covenant made by the Sellers in this Agreement, (3) any Excluded Liability, (4) any Excluded Asset, (5) any Prime Excluded Taxes, (6) the failure by the Sellers to comply with any applicable bulk sales laws (notwithstanding the waiver contained in Section 6.13) or (7) any Action brought by a Cardholder against (x) any Seller with respect to one or more FDS Accounts that is pending as of the First Closing Date, (y) any Seller or GE Bank with respect to one or more GE/Macy's Accounts that is pending as of the Second Closing Date, and (z) any Seller, May Co. or May Bank with respect to one or more May Accounts that is pending as of the Third Closing Date. Notwithstanding the foregoing, the Purchaser and its Affiliates shall not be entitled to indemnification pursuant to clause (1) of this Section 12.2 (other than for breaches of Sections 5.1(a), (b), (g), (l)(1) and (l)(2), which shall not be subject to the following limitations): (a) in respect of any individual set of claims, facts or occurrences or any series of related claims, facts or occurrences (each a "De Minimis Claim"), if the aggregate Losses in respect of such De Minimis Claim is less than twenty-five thousand dollars (\$25,000); provided, however, in the event that the aggregate Losses in respect of all such De Minimis Claims exceed five million dollars (\$5,000,000), thereafter indemnification claims pursuant to clause (1) of this Section 12.2

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shall be subject to indemnification without regard to the limitations set forth in this clause (a); (b) for any Losses until the aggregate amount of all Losses incurred or suffered by the Purchaser or any of its Affiliates (excluding Losses related to De Minimis Claims) exceeds twenty-five million dollars (\$25,000,000), in which case the Purchaser and its Affiliates shall be entitled to indemnification for the full amount of Losses in excess of such threshold; and (c) for Losses, in the aggregate, incurred or suffered by the Purchaser or any of its Affiliates in excess of four-hundred million dollars (\$400,000,000).

SECTION 12.3. Indemnification by the Purchaser. The Purchaser agrees to indemnify each Seller and each of their respective Affiliates against, and agree to hold each of them harmless from, any and all Losses incurred or suffered by a Seller or any such Affiliate because of (1) any breach of a representation or warranty of the Purchaser contained in Section 5.2 determined without regard to any Knowledge, Material Adverse Effect or materiality qualifier therein (except in the case of the representation set forth in Sections 5.2(e)), (2) any breach of an agreement or covenant made by the Purchaser in this Agreement, (3) any Assumed Liability, (4) any Liability for Taxes of Prime other than Prime Excluded Taxes or Taxes that constitute Excluded Liabilities or (5) the operation of the Business from and after the First Closing (and with respect to the GE/Macy's Assets and the GE/Macy's Liabilities from and after the Second Closing and with respect to the May Assets and the May Liabilities from and after the Third Closing). Notwithstanding the foregoing, the Sellers and their Affiliates shall not be entitled to indemnity pursuant to clause (1) of this Section 12.3 (other than for breaches of Sections 5.2(a) and (b), which shall not be subject to the following limitations): (a) in respect of any De Minimis Claims; provided, however, in the event that the aggregate Losses in respect of all such De Minimis Claims exceed \$5,000,000, thereafter indemnification claims pursuant to clause (1) of this Section 12.3 shall be subject to indemnification without regard to the limitations set forth in this clause (a); (b) for any Losses until the aggregate amount of all Losses incurred or suffered by the Sellers or any of their Affiliates (excluding Losses related to De Minimis Claims) exceeds twenty-five million dollars (\$25,000,000), in which case the Sellers and their Affiliates shall be entitled to indemnification for the full amount of Losses in excess of such threshold; and (c) for Losses, in the aggregate, incurred or suffered by the Sellers or their Affiliates in

excess of four-hundred million dollars (\$400,000,000).

SECTION 12.4. Notice, Settlements and Other Matters.

(a) A party seeking indemnification pursuant to Section 12.2 or Section 11.4 (an "Indemnified Party") must give prompt written notice to the party from whom such indemnification is sought (the "Indemnifying Party") of the assertion of any claim, or the commencement of any action or proceeding, in respect of which indemnity may be sought hereunder specifying in reasonable detail the individual items of the Losses in respect of which indemnification is sought including the amount, the date each such item was paid, incurred or properly accrued, and the specific details of the breach of representation, warranty or covenant or other claim or matter to which such item is related. In the event that any third party claim is made against the Indemnified Party and the Indemnified Party notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party may elect at any time to negotiate a settlement or a compromise of such action or claim or to defend such action or claim, in each case at its sole cost and expense (subject to the limitations set forth in Section 12.2, if the Sellers are the Indemnifying Party, or Section 12.3, if the Purchaser is the Indemnifying Party) and with

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its own counsel. If, within thirty (30) days of receipt from an Indemnified Party of the notice referred to above, the Indemnifying Party (i) advises the Indemnified Party in writing that it shall not elect to defend, settle or otherwise compromise or pay such action or claim or (ii) fails to make such an election in writing, the Indemnified Party may (subject to the Indemnifying Party's continuing right of election in the preceding sentence), at its option, defend, settle, compromise or pay such action or claim; provided that any such settlement or compromise shall be permitted hereunder only with the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. Unless and until the Indemnifying Party makes an election in accordance with this Section to defend, settle, compromise or pay such action or claim, all of the Indemnified Party's reasonable costs arising out of the defense, settlement, compromise or payment thereof shall be Losses subject to indemnification by the Indemnifying Party (subject to the provisions and limitations of Sections 12.2 and 12.3, as applicable). Each Indemnified Party shall make available to the Indemnifying Party all information reasonably available to such Indemnified Party relating to such action or claim. If the Indemnifying Party elects to defend any such action or claim, the Indemnified Party may participate in such defense with counsel of its choice at the Indemnified Party's sole cost and expense.

(b) The Indemnified Party shall have the right to reject any settlement proposed by the Indemnifying Party if the Indemnified Party is not fully and unconditionally released from any liability resulting from that claim or is required to pay any costs, expenses or damages to any person as a result of the claim that are not covered by the indemnity provided herein. The Indemnified Party shall not have the right to settle any third party claim without the written consent of the Indemnifying Party if the Indemnifying Party is contesting such claim in good faith and has assumed the defense of such claim from the Indemnified Party or if the period for determining whether or not to assume the defense of such claim from the Indemnified Party has not expired.

(c) In calculating the amount of any Losses of an Indemnified Party under this Article XII, there shall be subtracted the amount of any (1) Tax benefits actually realized by the Indemnified Party with respect to such Losses, (2) insurance proceeds and third-party payments actually received by the Indemnified Party with respect to such Losses and (3) any merchant charge-backs or other set-offs that would be permissible under the operating rules and regulations of the applicable Card Association in effect at that time (whether or not such charge-back or other set-off was actually made), and there shall be added the amount of any related Tax costs or other expenses. In the event that the Indemnifying Party reimburses the Indemnified Party for any Losses prior to the realization or receipt of any proceeds, benefits, payments, charge-backs or set-offs contemplated by clauses (1), (2) or (3) above, the Indemnified Party shall remit to the Indemnifying Party any such amounts that the Indemnified Party subsequently receives or realizes with respect to such Losses (net of any related Tax costs or other expenses to the extent such amounts were not previously taken into account). Upon the payment of any claim hereunder, the Indemnifying Party shall be subrogated to the extent of such payment to the

rights of the Indemnified Party against any person with respect to the subject matter of such claim.

(d) Without limitation of their respective rights and obligations as set forth elsewhere in this Article XII, and subject to the procedures for indemnification claims set forth in this Article XII, the Indemnified Party shall act in good faith, shall use commercially reasonable

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efforts to mitigate any Losses (including by seeking to fully realize or receive any proceeds, benefits, payments, charge-backs or set-offs contemplated by clauses (1), (2) and (3) of Section 12.4(c)), shall use similar discretion in the use of personnel and the incurring of expenses as the Indemnified Party would use if it were engaged and acting entirely at its own cost and for its own account, and shall consult regularly with the Indemnifying Party with respect to all its matters of interest to the Indemnifying Party under this Article XII.

(e) All indemnity payments shall be treated as additional adjustments to the amount of the total consideration paid for the Acquired Assets and Stock and the Business for all Tax purposes.

(f) Notwithstanding anything to the contrary contained herein, the indemnification provided for herein shall not cover, and in no event shall any party hereto be liable for, any indirect damages, including consequential, incidental, exemplary or special damages, or punitive damages (except to the extent necessary to reimburse an Indemnified Party for judgments actually awarded to third parties in respect of such types of damages).

(g) After the First Closing Date, Article XI and this Article XII shall constitute the Sellers' and the Purchaser's exclusive remedy for any of the matters addressed herein or other claim arising out of or relating to this Agreement; provided, however, that this provision shall not impair the ability of either party to obtain specific performance or other equitable relief. Notwithstanding the foregoing, the indemnification obligations and other obligations set forth in Article XI of this Agreement, and any claims arising out of the matters addressed in Article XI of this Agreement, shall, to the extent addressed therein, be governed solely by such Article XI and not by this Article XII.

ARTICLE XIII MISCELLANEOUS

SECTION 13.1. Notices. All notices and other communications by the Purchaser or the Sellers hereunder shall be in writing to the other party and shall be deemed to have been duly given when delivered in person, when received via facsimile or overnight courier, or when posted by United States registered or certified mail, with postage prepaid, addressed as follows:

if to the Purchaser to:

Citibank, N.A.
701 E. 60th North
Sioux Falls, South Dakota 57104
Attention: David Zimbeck
Facsimile: (605) 330-6745

with a copy to:

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Citigroup Inc.
399 Park Avenue
New York, New York 10043
Attention: Andrew Felner
Facsimile: (212) 793-6072

with a copy to:

Shearman & Sterling LLP
599 Lexington Avenue

New York, New York 10022-6069
Attention: Creighton O'M Condon
Facsimile: (212) 848-7179

if to the Sellers to:

c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Vice Chair - Finance
Facsimile: (513) 579-7462

with a copy to:

c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Facsimile: (513)-579-7354

and

FDS Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President
Facsimile: (513) 573-2720

and

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Attention: Lee Meyerson, Esq.
Maripat Alpuche, Esq.
Facsimile: (212) 455-2502

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Notices and other communications may also be sent to such other address or addresses as the Purchaser or the Sellers may from time to time designate by notice as provided herein, except that notices of change of address shall be effective only upon receipt.

SECTION 13.2. Expenses and Certain Post-Closing Matters.

(a) Except as otherwise provided herein, all legal and any other third-party costs and expenses incurred in connection herewith and the transactions contemplated by this Agreement and the Ancillary Agreements shall be paid by the party incurring such expenses, except that all fees or other amounts payable to any Governmental Authority in connection with the HSR Act and the organization and qualification of CEBA Bank in accordance with this Agreement shall be paid by the Purchaser.

(b) Any fees and assessments and similar charges payable to a Card Association with respect to the FDS Accounts shall be prorated between the parties for the Sellers' account prior to the First Closing Date and for the Purchaser's account from and after the First Closing Date. Any fees and assessments and similar charges payable to a Card Association with respect to the GE/Macy's Accounts shall be prorated between the parties for the Sellers' account prior to the Second Closing Date and for the Purchaser's account from and after the Second Closing Date. Any fees and assessments and similar charges payable to a Card Association with respect to the May Accounts shall be prorated between the parties for the Sellers' account prior to the Third Closing Date and for the Purchaser's account from and after the Third Closing Date. Except as described above, all fees and assessments and similar charges payable by FDS Bank or its Affiliates to a Card Association arising out of or relating to the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements, shall be for the account of the Sellers. To the extent possible, such prorations shall be made as soon as possible thereafter in accordance with the adjustment procedures set forth in Section 2.3, Section 3.3 and Section 4.3.

(c) Collection efforts and related expenses on the FDS Accounts made

or incurred by the Sellers prior to the First Closing Date shall be the responsibility of the Sellers, and all monies paid or otherwise collected thereon prior to the First Closing Date (and all monies paid or otherwise collected on charged-off accounts prior to the First Closing Date) shall be retained by the Sellers subject to their contractual obligations under the Securitization Documents. As between the Sellers and the Purchaser, collection efforts and related expenses on the GE/Macy's Accounts made or incurred prior to the Second Closing Date shall be the responsibility of the Sellers, and all monies paid or otherwise collected thereon prior to the Second Closing Date (and all monies paid or otherwise collected on charged-off accounts prior to the Second Closing Date) shall be retained by the Sellers subject to their contractual obligations under the Securitization Documents and the GE/Macy's Program Agreement. As between the Sellers and the Purchaser, collection efforts and related expenses on the May Accounts made or incurred prior to the Third Closing Date shall be the responsibility of the Sellers, and all monies paid or otherwise collected thereon prior to the Third Closing Date (and all monies paid or otherwise collected on charged-off accounts prior to the Third Closing Date) shall be retained by the Sellers subject to their contractual obligations under the Securitization Documents.

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(d) The Purchaser shall be responsible for all fees of the rating agencies in connection with confirming ratings and providing approvals for the contemplated assumptions and any proposed amendments of the Prime Securitization Documents by the Purchaser.

(e) The Purchaser shall pay to the Sellers, as soon as practicable following receipt thereof, any payments or other proceeds that constitute Excluded Assets and are received after the First Closing by the Purchaser or any of its Affiliates, including Interchange Fees received by the Purchaser in respect of transactions under FDS Accounts occurring prior to the First Cut-Off Time, any Interchange Fees received by the Purchaser in respect of transactions under GE/Macy's Accounts occurring prior to the Second Cut-Off Time and any Interchange Fees received by the Purchaser in respect of transactions under May Accounts occurring prior to the Third Cut-Off Time. The Sellers shall pay to the Purchaser, as soon practicable following receipt thereof, any payments or other proceeds that constitute Acquired Assets and Stock and are received after the First Closing (or the Second Closing with respect to the GE/Macy's Assets or the Third Closing with respect to the May Accounts) by the Sellers or any of their Affiliates (other than pursuant to this Agreement), including Interchange Fees received by the Sellers in respect of transactions under FDS Accounts occurring on or after the First Cut-Off Time, any Interchange Fees received by the Sellers in respect of transactions under GE/Macy's Accounts occurring on or after the Second Cut-Off Time and any Interchange Fees received by the Sellers in respect of transactions under May Accounts occurring on or after the Third Cut-Off Time.

SECTION 13.3. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and permitted assigns. This Agreement and the rights and obligations hereunder may not be assigned by any party to any person without the prior written consent of the other parties hereto, and any purported assignment without such consent shall be void; provided that FDS Bank may, without such consent, assign its right and obligation to purchase the CEBA Equity Interests pursuant to Section 2.4(d) to FDS or any other Subsidiary of FDS upon written notice to the Purchaser.

SECTION 13.4. Entire Agreement; Amendment; Waiver. This Agreement and the Ancillary Agreements, including the annexes and schedules hereto and thereto, embody the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements with respect thereto, other than the Confidentiality Agreement. No representation, warranty, inducement, promise, understanding or condition not set forth in this Agreement (or the other documents referred to in the preceding sentence) has been made or relied on by any party in entering into this Agreement. This Agreement may be amended, and any provision hereof waived, but only in writing signed by the party against whom such amendment or waiver is sought to be enforced.

SECTION 13.5. Counterparts. This Agreement may be executed in two or more counterparts any of which may be delivered by facsimile transmission and all of which shall together constitute one and the same instrument.

SECTION 13.6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed within such State, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

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SECTION 13.7. Waiver of Jury Trial and Venue.

(a) Each party hereto hereby waives all right to trial by jury in any action or proceeding to enforce or defend any rights under this Agreement.

(b) Each party hereto hereby irrevocably submits to the jurisdiction of the United States District Court of Delaware or, if such federal jurisdiction is unavailable, in the state courts of the State of Delaware over any action arising out of this Agreement, and each party hereto hereby irrevocably waives any objection which such party may now or hereafter have to the laying of improper venue or forum non conveniens. Each party hereto agrees that a judgment in any such action or proceeding may be enforced in other jurisdictions by suit on the judgment or in any manner provided by law. Any and all service of process and any other notice in any such suit, action or proceeding with respect to this Agreement shall be effective against any party hereto if given as provided herein.

SECTION 13.8. Severability. In case any one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and this Agreement shall be reformed, construed and enforced as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein and there had been contained herein instead such valid, legal and enforceable provisions as would most nearly accomplish the intent and purpose of such invalid, illegal or unenforceable provision.

SECTION 13.9. No Petition. The Purchaser covenants and agrees that it shall not, prior to the date that is one year and one day after the final payment of any series of investor certificates or any other series issued by the Master Trusts, acquiesce, petition or otherwise invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against Prime, Prime II or Master Trusts under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of Prime, Prime II or the Master Trusts or any substantial part of its property or ordering the winding up or liquidation of the affairs of Prime, Prime II or the Master Trusts.

SECTION 13.10. Public Announcement. Except for any notice which is required by law or regulation, each of the Purchaser, on the one hand, and each Seller, on the other hand, agrees that it shall not issue a press release, make any other public statement or make any statement to the Employees with respect to the transactions contemplated by this Agreement or the Ancillary Agreements without the prior written consent of the other, which consent shall not be unreasonably withheld or delayed. Each of the Purchaser, on the one hand, and each Seller, on the other hand, agrees, if possible, to notify and consult with the other at least twenty-four (24) hours in advance of filing any notice required by law or regulation.

SECTION 13.11. Third-Party Beneficiaries. Nothing in this Agreement, expressed or implied, shall confer on any person, other than the parties hereto and Prime or their respective successors and permitted assigns, any rights, remedies, obligations or liabilities; provided that the provisions of Article XII shall inure to the benefit of the Indemnified Parties.

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SECTION 13.12. Schedules. The Schedules to this Agreement set forth, among other things, items the disclosure of which is required under this Agreement either in response to an express disclosure requirement contained in a provision of this Agreement or as an exception to one or more of the

representations or covenants contained in this Agreement; provided that the mere inclusion of an item in a Schedule as an exception to a representation shall not be considered an admission by the disclosing party that such item (or any non-disclosed item or information of comparable or greater significance) represents a material exception or fact, event or circumstance or that such item has had or is reasonably expected to result in a Material Adverse Effect with respect to the disclosing party or the Business.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, this Agreement has been executed on behalf of each of the parties hereto as of the day and year first above written.

CITIBANK, N.A.

By: /s/ Ray Quinlan
Name: Ray Quinlan
Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Ronald W. Tysoe
Name: Ronald W. Tysoe
Title: Vice Chair

FDS BANK

By: /s/ Teresa Huxel
Name: Teresa Huxel
Title: President and Chief Financial Officer

PRIME II RECEIVABLES CORPORATION

By: /s/ Susan P. Storer
Name: Susan P. Storer
Title: President

EXHIBIT 10.2

CREDIT CARD PROGRAM AGREEMENT

BY AND AMONG

FEDERATED DEPARTMENT STORES, INC.,

FDS BANK,

FACS GROUP, INC.,

AND

CITIBANK, N.A.

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CREDIT CARD PROGRAM AGREEMENT

This Credit Card Program Agreement is made as of the 1st day of June, 2005, by and among Federated Department Stores, Inc., a Delaware corporation, ("FDS"), FDS Bank, a federally-chartered stock savings bank ("FDS Bank"), FACS Group, Inc., an Ohio corporation ("FACS", and together with FDS and FDS Bank, the "FDS Companies"), and Citibank, N.A., a national banking association ("Bank").

WITNESSETH:

WHEREAS, the FDS Companies, directly and through subsidiaries, are engaged in, among other activities, operating retail department stores and a Credit Card Business (as hereinafter defined);

WHEREAS, concurrently with the execution of this Agreement, FDS, FDS Bank and Bank are entering a purchase and sale agreement (the "Purchase Agreement"; unless otherwise defined herein, terms defined therein being used in this Agreement as so defined) pursuant to which Bank shall purchase the Credit Card Business, subject to the satisfaction of certain conditions, in the following transactions, as more fully set forth in the Purchase Agreement: (1) at the First Closing, Bank shall purchase the FDS Accounts and certain related assets and liabilities; (2) at the Second Closing, Bank shall purchase the GE/Macy's Accounts and certain related assets and liabilities; and (3) at the Third Closing, Bank shall purchase the May Accounts and certain related assets and liabilities;

WHEREAS, the FDS Companies have requested that Bank establish a program pursuant to which, from and after the Effective Date of this Agreement, Bank shall issue private label and co-branded credit cards to be serviced, marketed and promoted in accordance with the terms hereof;

WHEREAS, the parties hereto agree that the goodwill associated with the FDS Licensed Marks contemplated for use hereunder are of substantial value that is dependent upon the maintenance of high quality services and appropriate use of the trademarks pursuant to this Agreement; and

NOW, THEREFORE, in consideration of the terms, conditions and mutual

covenants contained herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Generally. The following terms shall have the following meanings when used in this Agreement:

"AAA" means the American Arbitration Association.

"Account" means any account under which a purchase, cash advance, convenience check or balance transfer transaction may be or has been made by or to a Person (or any Person authorized by such Person) pursuant to a Credit Card Agreement established pursuant to the terms of this Agreement or acquired pursuant to the Purchase Agreement. For the avoidance of doubt, the term Account shall include (i) the Purchased Accounts from their respective dates of purchase pursuant to the Purchase Agreement, and (ii) all Accounts established or reactivated from and after the Effective Date, including the Private Label Accounts, the General Purpose Accounts and the Employee Accounts.

"Account Documentation" means, with respect to an Account, any and all documentation arising from that Account, including Credit Card Documentation, checks or other forms of payment arising from that Account, notices to Cardholders, credit bureau reports (to the extent not prohibited from transfer by contract with the credit bureau), adverse action notices, change of terms notices, other notices, correspondence, memoranda, documents, stubs, instruments, certificates, agreements, magnetic tapes, disks, hard copy formats or other computer-readable data transmissions, any microfilm, electronic or other copy of any of the foregoing, and any other written, electronic or other records or materials of whatever form or nature, including tangible and intangible information, arising from any of the foregoing to the extent related to the Program; provided that Account Documentation shall not include FDS's or any of its Affiliates' register tapes, invoices, sales or shipping slips, delivery or other receipts or other indicia of the sale of FDS Goods and Services, or any reports, analyses or other documentation prepared by any of the FDS Companies or their Affiliates for use in the retail business operated by the FDS Companies and their Affiliates regardless of whether derived in whole or in part from the Account Documentation; and provided, further, that notwithstanding that certain information included in the Account Documentation might also constitute FDS Shopper Data, nothing contained in this definition shall limit FDS's rights in and to the FDS Shopper Data as set forth in Section 6.3.

"Additional Marketing Commitment" means the obligation of Bank to pay the amounts set forth in Schedule 1.1(l) for the purposes specified by the Operating Committee.

"Additional Premium" means the collective reference to (i) the "Additional Premium" portion of the FDS Purchase Price, as defined on the Final First Closing Statement, as finally determined in accordance with Section 2.3 of the Purchase Agreement, (ii) the "Additional Premium" portion of the GE/Macy's Purchase Price, as defined on the Final Second Closing Statement, as finally determined in accordance with Section 3.3 of the Purchase Agreement, and (iii) the "Additional Premium" portion of the May Purchase Price, as defined on the Final Third Closing Statement, as finally determined in accordance with Section 4.3 of the Purchase Agreement.

"Adjusted Fair Market Value" has the meaning set forth in Schedule 16.2(d)(i).

"Adverse Sales Development" means, with respect to any twelve (12) Fiscal Month period after the Benchmark Year (as defined below), (i) a decrease of thirty-three percent (33%) or more in the aggregate sales volume in the FDS Channels as compared to the immediately preceding twelve (12) Fiscal Month period or (ii) aggregate sales volume in the FDS Channels is less than sixty-six percent (66%) of the aggregate sales volume in the FDS Channels during the

Program Assets related to any Sold Chain or Sold Area Stores pursuant to any agreement or arrangement with the purchaser thereof, the aggregate sales volume in the FDS Channels for any period referred to above shall include the aggregate sales volume at such Sold Chain or Sold Area Stores during the twelve (12) Fiscal Month period ending prior to the sale of such Sold Chain or Sold Area Store. For purposes hereof, "Benchmark Year" means the twelve (12) Fiscal Month period beginning with the Fiscal Month in which the Third Closing Date occurs.

"Affiliate" means, with respect to any Person, each Person that controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, solely for purposes of this Agreement and regardless of its characterization under Applicable Law, CEBA Bank shall be deemed to be an Affiliate of Bank and not an Affiliate of FDS, except as otherwise expressly provided in this Agreement and except that for purposes of Articles VI and XIII hereof, CEBA Bank also shall be deemed to be an Affiliate of FDS.

"Agreement" means this Program Agreement, together with all of its schedules and exhibits, as modified, altered, supplemented, amended and/or restated from time to time.

"Ancillary Products" means (i) any financial services or financial or credit related products (other than FDS Credit Cards), including insurance products and services, credit protection products, investment and securities products, home equity products, wealth accumulation products, savings and deposit products and debt suspension products and (ii) any auto, travel or other membership clubs and similar services that are not FDS Goods and Services.

"Applicable Law" means, to the extent applicable to the Program or any Party hereto, all federal, state and local laws (including common law), statutes, regulations, injunctions, written regulatory guidance, substantive recommendations (which Bank shall request in writing if so requested by FDS), orders, judgments, directives or determinations of any Governmental Authority or any order or judgment of any arbitrator, as may be amended and in effect from time to time during the Term, including (i) the Truth in Lending Act and Regulation Z; (ii) the Equal Credit Opportunity Act and Regulation B; (iii) the Fair Debt Collection Practices Act; (iv) the Fair Credit Reporting Act; (v) the Gramm-Leach-Bliley Act; and (vii) the USA PATRIOT Act, and, in each case, any implementing regulations or interpretations issued thereunder.

"Applicable Order" means, with respect to any Person, a judgment, injunction, writ, decree or order of any Governmental Authority, in each case legally binding on that Person or on any material amount of its property.

"Approved Ancillary Products" means the products listed on Schedule 1.1(a) and any additional Ancillary Products approved for offering under the Program after the Effective Date pursuant to the terms of this Agreement.

"Average Private Label Interest Free Receivables" means, for any twelve (12) consecutive Fiscal Month period, the Average Private Label Receivables that are unbilled and

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subject to any active interest free payment plan or three (3) or six (6) month deferred payment plan plus the Average Private Label Receivables that have been billed under (i) the 12-PAY or twelve (12) months SEAT plans or (ii) other new Account types introduced pursuant to Article III and designated for inclusion in the calculation of Average Private Label Interest Free Receivables in connection with such introduction.

"Average Private Label Receivables" means, for any twelve (12) consecutive Fiscal Month period, Average Receivables under Private Label Accounts.

"Average Receivables" means, (a) for any Fiscal Month, the Cardholder Indebtedness calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, and (b) for any Fiscal Year, (i) the sum of the amounts determined pursuant to clause (a) for each Fiscal Month in such Fiscal Year divided by (ii) the number of Fiscal Months in such Fiscal Year.

"Bad Debt Reserve" means the bad debt reserve maintained by Bank solely with respect to the Accounts under the Program in an amount, from time to time, equal to the product of (i) forty percent (40%) of the aggregate amount of Cardholder Indebtedness multiplied by (ii) the Loss Rate multiplied by (iii) 7/12. For purposes of this definition, "Loss Rate" means, with respect to the twelve (12) Fiscal Month period with respect to which the calculation of the Bad Debt Reserve is being made, a percentage equal to (i) (A) the aggregate amount of Cardholder Indebtedness that is forecasted by Bank (in a manner consistent with its forecasts for partner Credit Card portfolios managed by Bank of a similar size and nature) to be written-off under the Program during such twelve (12) Fiscal Month period, calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, minus (B) the aggregate amount forecasted by Bank (in a manner consistent with its forecasts for partner Credit Card portfolios managed by Bank of a similar size and nature) to be recovered with respect to previously written-off Cardholder Indebtedness during such twelve (12) Fiscal Month period (including recovery of sales taxes paid on written-off Cardholder Indebtedness), divided by (ii) the aggregate amount of the average amount of Cardholder Indebtedness under the Program forecasted for each Fiscal Month during such twelve (12) Fiscal Month period (in each case, calculated on a sum of cycles basis of reporting monthly receivables under the Accounts for each Fiscal Month).

"Bank" has the meaning set forth in the preamble hereof; provided that Bank shall mean CEBA Bank with respect to Bank's rights and obligations hereunder following the assignment of this Agreement to CEBA Bank pursuant to Section 18.2.

"Bank Licensed Marks" means the trademarks, tradenames, service marks, logos and other proprietary designations of Bank listed on Schedule 1.1(b) and licensed to the FDS Companies under Section 10.2 hereof.

"Bank Manager" has the meaning set forth in Section 3.4(a) hereof.

"Bank Parent" means Citigroup, Inc.

"Bank Systems" means Systems owned, leased or licensed by and operated by or on behalf of Bank or any of its controlled Affiliates; provided that a System shall not be a Bank System if access or permission to use such System must be granted by FDS or any of its Affiliates in order for Bank or any of its Affiliates to use such System hereunder.

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"Bankruptcy Code" means Title 11 of the United States Code, as amended, or any other applicable state or federal bankruptcy, insolvency, moratorium or other similar law and all laws relating thereto.

"Billing Cycle" means the interval of time between regular periodic Billing Dates for an Account.

"Billing Date" means, for any Account, the last day of a Billing Cycle as of when the Account is billed.

"Billing Statement" means a summary of Account credit and debit transactions for a Billing Cycle including a descriptive statement covering purchases, charges, past due account information and Loyalty Program information.

"Budget" means the semi-annual or annual (as the case may be) budget for the Program, in substantially the form attached hereto as Schedule 9.4(a) or such other form as may be approved by the Operating Committee, which in each case shall set forth, among other information determined by the Operating Committee, the projected account volumes, revenues, expenses, write-offs, and funding needs and obligations for the Program for the period covered and an explanation of how such needs will be met.

"Business Day" means any day, other than a Saturday, Sunday or legal holiday, on which both FDS and Bank are open for business at their respective U.S. headquarters.

"Business Plan" means a three-year business plan for the Program, in substantially the form agreed upon by the Parties on or prior to the Effective

Date or such other form as may be approved by the Operating Committee, which shall in each case describe strategies for Program growth and shall include detailed financial statements, a schedule of all major assumptions underlying such financial statements, a description of all capital expenditures and Systems improvements projected for the period, the projected funding needs of the Program for such period, and an explanation of how those needs will be met.

"Card Association" means Visa International Inc. and Visa U.S.A. Inc. or any successor thereto and, to the extent that, any time following the Effective Date, FDS Bank approves the issuance pursuant hereto of Co-Branded Credit Cards bearing the mark of any other card association or card network (e.g., MasterCard, American Express or Discover), such other card association or card network.

"Cardholder" means any Person who has been issued an FDS Credit Card and includes authorized user(s).

"Card Association Contract" has the meaning set forth in Section 9.3(c) hereof.

"Cardholder Data" means (i) the Cardholder List and (ii) all other personally identifiable information about a Cardholder (A) received by or on behalf of Bank (including by the FDS Servicer in its capacity as such) in connection with the Cardholder's application for use of an FDS Credit Card or Account or (B) otherwise obtained by or on behalf of Bank (including information obtained by the FDS Servicer in its capacity as such and information contained in

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the Master File conveyed to Bank pursuant to the Purchase Agreement) for inclusion in its database of Cardholder information (including information about a Cardholder purchased by Bank), including all transaction and experience information collected by or on behalf of Bank (including by the FDS Servicer in its capacity as such) with regard to each purchase charged by a Cardholder using his or her FDS Credit Card (including FDS Charge Transaction Data with respect to charges on Private Label Accounts and transaction and experience information with respect to charges on General Purpose Accounts).

"Cardholder Indebtedness" means all amounts charged and owing to Bank by Cardholders with respect to Accounts (including principal balances from outstanding charges, charges for Approved Ancillary Products, balance transfers, convenience checks, cash advances, finance charges, NSF fees, late charges, pay-by-phone fees and any other fees and charges), whether or not billed, less the amount of any credit balances owing by Bank to Cardholders, including in respect of any payments and any credits associated with returns of goods and/or services and other credits and adjustments, whether or not billed.

"Cardholder List" means any list (whether in hardcopy, magnetic tape, electronic or other form) that identifies Cardholders, including any such listing that sets forth the names, addresses, email addresses (as available), telephone numbers or social security numbers of any or all Cardholders.

"Change of Control" means, with respect to any Person (the "subject Person"), (i) a Person or group becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934 (except that a Person or group shall be deemed to own all securities it has the right to acquire)), directly or indirectly, of more than fifty percent (50%) of the total voting power of the subject Person, (ii) such subject Person merges, consolidates, acquires, is acquired by, or otherwise combines with any other Person in a transaction in which the subject Person is not the surviving entity or which constitutes a "merger of equals", it being understood that a subject Person shall not be considered the "surviving entity" of a transaction if either (A) the members of the Board of Directors of the subject Person immediately prior to the transaction constitute less than a majority of the members of the Board of Directors of the ultimate parent entity of the entity surviving or resulting from the transaction or (B) securities of the subject Person that are outstanding immediately prior to the transaction (or securities into which such securities are converted in the transaction) represent less than fifty percent (50%) of the total voting power of the ultimate parent entity of the entity surviving or resulting from the transaction, or (iii) the subject Person sells all or substantially all of its assets to a Person that is not an Affiliate of the subject Person.

"Co-Branded Credit Card" means a Credit Card, including the Credit Cards listed on Schedule 1.1(c) as "Co-Branded Credit Cards," that (i) bears an FDS Licensed Mark and a trademark, tradename, service mark, logo or other proprietary designation of a Card Association and (ii) is linked to a General Purpose Account and (except in the case of SAV Visa Accounts or as otherwise agreed by the Parties) a Private Label Account.

"Confidential Information" has the meaning set forth in Section 13.1(a) hereof.

"Conversion Costs" has the meaning set forth in Section 16.2(d)(iii) hereof.

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"CPI" means the Consumer Price Index for All Urban Consumers (CPI-U) for the U.S. City Average for All Items, as published by the United States Department of Labor Bureau of Labor Statistics, or any successor organization.

"Credit Card" means a credit card pursuant to which the cardholder or authorized user may purchase goods and services, obtain cash advances or convenience checks, and transfer balances through open-end revolving credit, commonly known as a credit or charge card; provided that the term does not include: (i) any gift card; (ii) any debit card, smart card, stored value card, electronic or digital cash card or any other card that does not provide the holder thereof with the ability to obtain credit other than through an overdraft line or similar feature; (iii) any secured card, including any card secured by a lien on real or other property or by a deposit (but excluding any credit card issued in respect of an Employee Account, which shall be deemed a Credit Card for purposes of this Agreement); (iv) any card issued to the holder of a securities brokerage account that allows the holder to obtain credit through a margin account; or (v) any credit or charge card designated as a corporate credit or charge card.

"Credit Card Agreement" means the Credit Card agreement between Bank (including as an assignee of FDS Bank, GE Bank or May Bank (as defined in the Purchase Agreement)) and a Cardholder (and any replacement of such agreement), governing the use of an Account, together with any amendments, modifications or supplements that now or hereafter may be made to such Credit Card Agreement (and any replacement of such agreement).

"Credit Card Application" means the credit application that must be completed and submitted in order to establish an Account (including any such application submitted at the POS, by phone or via the Internet).

"Credit Card Business" means the Business, as that term is defined in the Purchase Agreement.

"Credit Card Documentation" means, with respect to the Accounts, all Credit Card Applications; Credit Card Agreements; FDS Credit Cards; documentation containing the terms and conditions of any Loyalty Programs mailed or sent to Cardholders; and Billing Statements, in each case relating to such Accounts.

"Disclosing Party" has the meaning set forth in Section 13.1(d) hereof.

"Early Age Collection" has the meaning set forth in Section 4.2(a)(iv) hereof.

"Effective Date" means the First Cut-Off Time (as defined in the Purchase Agreement).

"Employee Accounts" means the Prepaid Employee Accounts and Private Label Accounts designated (including by designation in the master file) by an FDS Company as Accounts that are eligible for any employee discount or otherwise designated by an FDS Company as "Employee Accounts" from time to time.

"Equity Holder" means the FDS entity that is the owner of the preferred equity interests of CEBA Bank that are issued pursuant to the Purchase Agreement.

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"Estimated Remittance" has the meaning set forth in Section 8.4(c) hereof.

"Event of Default" means the occurrence of any one of the events listed in Section 14.1 hereof.

"Exchange Act" means the Securities and Exchange Act of 1934 and the rules and regulations promulgated thereunder.

"Executive Committee" has the meaning set forth in Section 3.3 hereof.

"FACS" has the meaning set forth in the preamble hereof.

"Fair Market Value" has the meaning set forth in Schedule 16.2(e).

"FDIC" means the Federal Deposit Insurance Corporation.

"FDS" has the meaning set forth in the preamble hereof.

"FDS Accounts" has the meaning set forth in the Purchase Agreement.

"FDS Bank" has the meaning set forth in the preamble hereof.

"FDS Bank Designees" has the meaning set forth in Section 3.2(c) hereof.

"FDS Channels" means (i) all retail establishments owned or operated by FDS or its Affiliates (including Licensee departments therein), (ii) all websites owned or operated by FDS or its Affiliates or their Licensees, and (iii) all mail order, catalog and other direct access media that are owned or operated by FDS or its Affiliates or their Licensees.

"FDS Charge Transaction Data" means the transaction information (in the form of electronic information) with regard to a charge on an Account with respect to each purchase of FDS Goods and Services or Approved Ancillary Products by a Cardholder on credit and each return of FDS Goods and Services or Approved Ancillary Products for credit.

"FDS Companies" has the meaning set forth in the preamble hereof.

"FDS Credit Card" means a Co-Branded Credit Card, a Private Label Credit Card or a Credit Card linked to a Prepaid Employee Account.

"FDS Debit Cards" has the meaning set forth in Section 2.2(d) hereof.

"FDS Event of Default" means the occurrence of any one of the events listed in Section 14.3 hereof or an Event of Default where an FDS Company is the defaulting Party.

"FDS Goods and Services" means the products and services sold, charged or offered by or through FDS Channels, including for personal, household, or business purposes, and including accessories, delivery services, protection agreements, gift cards, shipping and handling, and work or labor to be performed for the benefit of customers of the FDS Channels.

"FDS Licensed Marks" means the trademarks, tradenames, service marks, logos and other proprietary designations of the FDS Companies listed on Schedule 1.1(e) and licensed to Bank by the FDS Companies under Section 10.1 hereof.

"FDS Manager" has the meaning set forth in Section 3.4(a) hereof.

"FDS Marketing Commitment" means the obligation of Bank to pay the amounts set forth in Schedule 1.1(l) for marketing purposes as set forth in, and in accordance with, Section 5.2(b).

"FDS Matters" has the meaning set forth in Section 3.2(f) hereof.

"FDS Profit Share" has the meaning set forth in Schedule 1.1(i).

"FDS Prospect List" has the meaning set forth in Section 6.3(b) hereof.

"FDS Revenue Share" means the sum of the Net Credit Sale Share (as set forth on Schedule 9.3(a)) plus the New Account Payments (as set forth on Schedule 9.3(a)).

"FDS Servicer" means FDS Bank or such of its Affiliates, including FACS, responsible for performing the servicing functions referred to in Section 7.2(a).

"FDS Servicing Charge" means, for any Fiscal Month, the amount calculated as set forth in Schedule 1.1(g).

"FDS Shopper" means any Person who makes purchases of FDS Goods and Services.

"FDS Shopper Data" means all personally identifiable information regarding an FDS Shopper that is obtained by (or on behalf of) FDS or any of its Affiliates at any time (including prior to the date hereof), including personally identifiable information obtained in connection with such FDS Shopper making a purchase of FDS Goods and Services.

"FDS Systems" means Systems owned, leased or licensed by and operated by or on behalf of FDS or its Affiliates; provided that a System shall not be an FDS System if access or permission to use such System must be granted by Bank or any of its Affiliates in order for FDS or any of its Affiliates to use such System hereunder.

"FDS Transaction" means any purchase, exchange or return of FDS Goods and Services by a Cardholder using an FDS Credit Card.

"FedCustomer" means the retail marketing database used by FDS and its Affiliates.

"Federal Funds Rate" means the offered rate as reported in The Wall Street Journal in the "Money Rates" section for reserves traded among commercial banks for overnight use in amounts of one million dollars (\$1,000,000) or more or, if no such rate is published for a day, the rate published for the preceding Business Day, calculated on a daily basis based on a 365 day year.

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"Finance Charge Reversal Percentage" means, with respect to any Fiscal Quarter, an amount, expressed as a percentage, equal to (i) the aggregate amount of all finance charges that had been assessed on the Accounts and then reversed by FDS or its Subsidiaries (other than System generated refunds of provisional finance charges assessed prior to on time payment in full of amounts due by a Cardholder) during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, divided by (ii) the aggregate amount of all finance charges assessed on the Accounts during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts.

"Fiscal Month" means each four (4) or five (5) week period designated as such in the calendar published by the National Retail Federation for retailers on a Fiscal Year-reporting basis; provided, that the Fiscal Month in which the Effective Date occurs shall be deemed to begin on the Effective Date.

"Fiscal Quarter" means each three (3) Fiscal Month period set forth in the calendar published by the National Retail Federation for retailers on a Fiscal Year-reporting basis; provided that the Fiscal Quarter in which the Effective Date occurs shall be deemed to begin on the Effective Date.

"Fiscal Year" means the fiscal year set forth in the calendar published by the National Retail Federation setting forth the fiscal year for retailers on a 52/53 week fiscal year ending on the Saturday closest to January 31; provided that the Fiscal Year in which the Effective Date occurs shall be deemed to begin on the Effective Date.

"Force Majeure Event" has the meaning set forth in Section 18.20 hereof.

"Funding Costs" has meaning set forth on Schedule 1.1(m).

"Future Subcontractors" has the meaning set forth in Section 6.2(h)(i) hereof.

"GE Bank" means GE Capital Consumer Card Co., an Ohio banking corporation.

"GE/Macy's Account" has the meaning set forth in the GE/Macy's Program Agreement.

"GE/Macy's Program Agreement" means the Amended and Restated Credit Card Program Agreement, dated as of June 4, 1996, by and among GE Bank, FDS and the other parties thereto, as amended, restated or otherwise modified from time to time.

"GE/Macy's Receivables" has the meaning set forth in the GE/Macy's Program Agreement.

"General Purpose Account" means an Account linked to any Co-Branded Credit Card and usable solely for the purpose of financing (i) purchases (and all fees and charges relating thereto) of goods and services through sellers or channels other than the FDS Channels and (ii) purchases (and all fees and charges relating thereto) of FDS Goods and Services through any FDS Channel that does not honor the Private Label Account linked to such Co-Branded Credit

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Card (e.g., purchase of FDS Goods and Services at a Macy's store using a Bloomingdale's branded FDS Credit Card).

"Governmental Authority" means any federal, state or local domestic, foreign or supranational governmental, regulatory or self-regulatory authority, agency, court, tribunal, commission or other governmental, regulatory or self-regulatory entity.

"Gross Receivables" means amounts owing (net of credit balances) from cardholders with respect to accounts in a Credit Card portfolio (including outstanding loans, cash advances and other extensions of credit; billed or unbilled finance charges and late charges; and any other billed or unbilled fees, charges and interest assessed on such accounts).

"Guidelines" has the meaning set forth in Section 6.1(b) hereof.

"High Collar" has the meaning set forth on Schedule 1.1(f) hereto.

"Indemnified Party" has the meaning set forth in Section 17.3(b) hereof.

"Indemnifying Party" has the meaning set forth in Section 17.3(b) hereof.

"Initial Term" has the meaning set forth in Section 15.1 hereof.

"Inserts" has the meaning set forth in Section 5.3(a) hereof.

"In-Store Payment" means any payment on an Account made in a retail store owned or operated by FDS or any of its Subsidiaries by a Cardholder or a person acting on behalf of a Cardholder.

"Intellectual Property" means, on a worldwide basis, all intellectual property, including (i) rights associated with works of authorship, including copyrights, moral rights and mask-works; (ii) trademarks, service marks, internet domain names and other source indicators and the goodwill associated therewith; (iii) trade secret rights; (iv) patents, designs, algorithms and other industrial property rights; (v) other intellectual and industrial property rights of every kind and nature, however designated, whether arising by operation of law, contract, license or otherwise; and (vi) applications, registrations, renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force (including any rights in any of the foregoing).

"Interchange Fees" means the interchange fees or interchange reimbursement fees paid or payable to Bank by the Card Association with respect

to the Accounts, in Bank's capacity as a Credit Card issuer, and in connection with Cardholder usage of the Accounts.

"Interim Services" means the services set forth in Schedule 1.1(n).

"Joint IP" has the meaning set forth in Section 10.3(b) hereof.

"Knowledge" means, with respect to any of the FDS Companies or Bank, the actual knowledge of the executive officers of the organization who have managerial responsibility for the Program, after reasonable inquiry.

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"Late Fee Reversal Percentage" means, with respect to any Fiscal Quarter, an amount equal to (i) the aggregate amount of all late fees that had been assessed on the Accounts and then reversed by FDS or its Subsidiaries during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts, divided by (ii) the aggregate amount of all late fees assessed on the Accounts during the twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Accounts.

"Legally Required Communications" means any communications with Cardholders (including any communications relating to customer service, account management and collections) that are required by Applicable Law.

"LIBOR" means the London Interbank Offered Rates.

"Licensee" means any Person authorized by FDS or any of its Subsidiaries to operate in and sell FDS Goods and Services from the FDS Channels under the FDS Licensed Marks, solely with respect to such Person's or any of its Subsidiaries' operation in and sale of FDS Goods and Services from the FDS Channels or under the FDS Licensed Marks.

"Low Collar" has the meaning set forth on Schedule 1.1(f) hereto.

"Loyalty Programs" has the meaning set forth in Section 4.8(a) hereof.

"Manager" has the meaning set forth in Section 3.4(a) hereof.

"Marketing Plan" has the meaning set forth in Section 5.6(a) hereof.

"May Co." means The May Department Stores Company, a Delaware corporation.

"May Merger" means the merger of May Co. with and into Milan Acquisition Corp., a Subsidiary of FDS, pursuant to the Agreement and Plan of Merger, dated as of February 27, 2005, by and among FDS, Milan Acquisition Corp. and May Co., as amended or otherwise modified from time to time.

"Merchant Discount" means a discount rate generally applied against settlements due to merchants for transactions with respect to the use of a Credit Card, which includes the Interchange Fees as well as any other transaction fees.

"Monthly Settlement Sheet" has the meaning set forth in Section 9.2(a) hereof.

"MSA" means a metropolitan statistical area as defined by the U.S. Office of Management and Budget and announced in an OMB Bulletin.

"Net Credit Sales" means, for any Fiscal Year or Fiscal Month, an amount equal to (i) gross credit sales on Accounts (including gift card sales, sales tax, delivery charges, Licensee sales and any other amount included in the full amount charged by Cardholders) during such Fiscal Year or Fiscal Month, minus (ii) the sum of credits for returned goods and cancelled

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services and other credits (such as concessions, discounts and adjustments) on Accounts during such Fiscal Year or Fiscal Month.

"Net FDS Write-offs" means, with respect to Accounts that have been written-off in a Fiscal Month as losses on a sum of cycles basis of reporting monthly receivables under the Accounts in accordance with the credit and collection policies contained in the Risk Management Policies, (a) amounts charged to the written-off Accounts, identified by Account, relating to the sale of FDS Goods and Services, including sales and use tax but excluding finance charges and late charges, minus (b) the portion of any recoveries received during such Fiscal Month on previously written-off Accounts attributable to the sale of FDS Goods and Services, including sales and use taxes but excluding finance charges and late charges.

"New Account Payments" has the meaning set forth in Schedule 9.3(a) hereof.

"New Bank Mark" has the meaning set forth in Section 10.2(b) hereof.

"New FDS Mark" has the meaning set forth in Section 10.1(b) hereof.

"Nominated Purchaser" has the meaning set forth in Section 16.2(a) hereof.

"Operating Committee" has the meaning set forth in Section 3.2(a) hereof.

"Operating Procedures" means the operating procedures for the Program in effect from time to time in accordance with Section 4.1(b) hereof.

"Parties" means the collective reference to the FDS Companies and Bank; and unless the context otherwise requires, "Party" means either the collective reference to the FDS Companies, on the one hand, or Bank, on the other hand.

"Partner Designees" has the meaning set forth in Section 3.2(c) hereof.

"Partner Event of Default" means the occurrence of any one of the events listed in Section 14.2 hereof or an Event of Default where a Bank is the defaulting Party.

"Partner Matters" has the meaning set forth in Section 3.2(g) hereof.

"Partner Servicing Charge" means the amount calculated as set forth on Schedule 1.1(g).

"Person" or "person" means any individual, corporation, business trust, partnership, association, limited liability company or similar organization, or any Governmental Authority.

"POS" means point of sale.

"Premium" means the collective reference to (i) the "Premium" portion of the FDS Purchase Price, as defined on the Final First Closing Statement, as finally determined in accordance with Section 2.3 of the Purchase Agreement, (ii) the "Premium" portion of the GE/Macy's Purchase Price, as defined on the Final Second Closing Statement, as finally determined in accordance with Section 3.3 of the Purchase Agreement, and (iii) the "Premium"

portion of the May Purchase Price, as defined on the Final Third Closing Statement, as finally determined in accordance with Section 4.3 of the Purchase Agreement.

"Prepaid Employee Account" means a payment product issued to an employee of FDS or any of its Subsidiaries that may be used for the purchases of FDS Goods and Services and otherwise has the same functionality and features as a Private Label Account, except that the terms of such Account shall require the applicable employee to prepay the amount that can be utilized for purchases pursuant to that Account, and is designated by an FDS Company as an Account that is eligible for an employee discount.

"Pre-Tax Profit" has the meaning set forth in Schedule 1.1(i).

"Previously Disclosed" means a disclosure in writing setting forth an exception to the representations and warranties of FDS or Bank, as applicable,

in each case as set forth in the corresponding Schedule to this Agreement, which Schedules are being delivered by FDS and Bank concurrently with the execution and delivery of this Agreement by the Parties.

"Primary Initial Program Terms" means (a) the credit offerings and cardholder terms described in Section 4.7 and Schedule 4.7, (b) the Value Propositions described in Section 4.8 and Schedules 4.8(a) and 4.8(b), (c) the Risk Management Policies set forth in Schedules 4.6(b), 4.6(c)(i) and 4.6(c)(ii), and (d) the SLAs set forth in Schedule 7.3.

"Private Label Accounts" means the (i) Accounts linked to Private Label Credit Cards and (ii) Accounts linked to Co-Branded Credit Cards solely for the purpose of financing the purchase of FDS Goods and Services (and all fees and charges relating thereto) through any FDS Channel (except any such FDS Channel that has not provided for cross-acceptance of such Credit Card from another FDS Channel, the marks of which are linked to such Co-Branded Credit Card).

"Private Label Credit Card" means a Credit Card that bears an FDS Licensed Mark and may be used solely to finance purchases of FDS Goods and Services through any FDS Channel associated with the FDS Licensed Marks appearing on the face of such Credit Card, including the Credit Cards listed on Schedule 1.1(c) as "Private Label Credit Cards". Each Private Label Credit Card is linked to solely a Private Label Account (and not a General Purpose Account).

"Program" means the Private Label Credit Card and Co-Branded Credit Card program established pursuant to this Agreement.

"Program Assets" means the Accounts, Account Documentation, Cardholder List, Cardholder Data, Solicitation Materials and all Cardholder Indebtedness (whether held by Bank or a third party).

"Program Expenses" has the meaning set forth in Schedule 1.1(i).

"Program Objectives" has the meaning set forth in Section 3.1 hereof.

"Program Privacy Policy" means the privacy policy and associated disclosures to be provided by Bank to Cardholders in connection with the Program, as set forth in Section 6.2(a)

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and as modified from time to time in accordance with such Section, provided, however, that the Program Privacy Policy shall be deemed not to include the portion of the notice set forth in Schedule 6.2(b) entitled "Citigroup Privacy Promise to Consumers".

"Program Purchase Date" has the meaning set forth in Section 16.2(c) hereof.

"Purchase Agreement" has the meaning set forth in the recitals hereof.

"Purchased Accounts" means the collective reference to (i) the FDS Accounts from and after the occurrence of the First Closing, (ii) the GE/Macy's Accounts from and after the occurrence of the Second Closing and (iii) the May Accounts from and after the occurrence of the Third Closing.

"Quarterly Settlement Sheet" has the meaning set forth in Section 9.2(b) hereof.

"Receiving Party" has the meaning set forth in Section 13.1(d) hereof.

"Retail Merchants" has the meaning set forth in Section 8.1 hereof.

"Renewal Term" has the meaning set forth in Section 15.1 hereof.

"Right of First Offer" has the meaning set forth in Schedule 2.2.

"Risk Management Policies" means the underwriting and risk management policies, procedures and practices applicable to the Program, consistent with this Agreement, including policies, procedures and practices for credit and Account openings, transaction authorization, fraud, collections, credit line assignment, increases and decreases, over-limit decisions, Account closures, payment crediting and charge-offs.

"Sales Tax Refunds" means refunds, rebates, credits or deductions of sales and use tax by any taxing authority in respect of an Account, and all allowable interest relating thereto.

"Second Look Program" has the meaning set forth in Section 2.2(c) hereof.

"Services Transition Date" has the meaning set forth in Section 7.2(d) hereof.

"Significant Portfolio" has the meaning set forth in Section 2.3(b)(i) hereof.

"SLA" means each individual performance standard set forth on Schedule 7.3.

"Small Portfolio" has the meaning set forth in Section 2.3(a) hereof.

"Sold Area Stores" has the meaning set forth in Section 2.4 hereof.

"Sold Chain" has the meaning set forth in Section 2.4 hereof.

"Solicitation Materials" means works of authorship, documentation, materials, artwork, copy, brochures, applications, any other written or recorded materials and any advertisements in any format or media (including television, internet and radio), used to promote or identify the

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Program to Cardholders and potential Cardholders, including direct mail solicitation materials and coupons.

"Special Condition" has the meaning set forth in Section 11.4(g) hereof.

"SPIFs" has the meaning set forth in Section 5.2(a)(v) hereof.

"Subsidiary" when used with respect to any Person, means another Person, where an amount of the voting securities, or other voting ownership or voting partnership interests of the second Person sufficient to elect at least a majority of its board of directors or similar governing body (or if there are not such voting interests, fifty percent (50%) or more of the equity interest of which) is owned directly or indirectly by the first Person or by another Subsidiary of the first Person.

"Systems" means software, databases, computers, systems and networks.

"Systems Transition Date" has the meaning set forth in Section 7.4(a) hereof.

"Term" means the Initial Term and each Renewal Term.

"Termination Period" means the period beginning on the earlier of the date of expiration of this Agreement or the date of any notice of termination pursuant to Article XV and ending on either (i) the date the Program Assets are purchased pursuant to Section 16.2, if FDS or a Nominated Purchaser purchases the Program Assets, or (ii) the date that either (A) the FDS Companies deliver written notice to Bank of their election not to purchase the Program Assets or (B) the right of the FDS Companies to purchase the Program Assets expires in accordance with the terms of this Agreement.

"Total Servicing Transfer" has the meaning set forth in Section 7.2(c) hereof.

"Trademark Style Guide" means any rules governing the manner of usage of trademarks, tradenames, service marks, logos and other proprietary designations.

"Transition Plan" means the transition plan agreed upon by the Parties on or before the Effective Date as to the actions the Parties shall take to initiate the Program in accordance with this Agreement and which shall be attached hereto as Schedule 1.1(j).

"Unamortized Premium" has the meaning set forth in Schedule 1.1(k).

"Unapproved Matter" has the meaning set forth in Section 3.2(e)(ii)(B) hereof.

"Value Propositions" means the value propositions described in Section 4.8 and any other card-related promotional or rewards programs as may be established by the Operating Committee from time to time.

"Year-End Settlement Sheet" has the meaning set forth in Section 9.2(c) hereof.

1.2 Miscellaneous. As used herein: (a) all references to the plural number shall

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include the singular number (and vice versa); (b) all references to "herein," "hereunder," "hereof" or like words shall refer to this Agreement as a whole and not to any particular section, subsection or clause contained in this Agreement; (c) all references to "include," "includes" or "including" shall be deemed to be followed by the words "without limitation"; (d) unless specified as Business Days, all references to days or months shall be deemed references to calendar days or months; and (e) all references to "\$" or "dollars" shall be deemed references to United States dollars.

ARTICLE II

ESTABLISHMENT OF THE PROGRAM

2.1 Credit Program. Beginning as of the Effective Date, Bank shall offer and issue the FDS Credit Cards, and shall issue (or arrange to be issued by an Affiliate or another third party acceptable to FDS or currently offering such products on Bank's behalf) the Approved Ancillary Products. Bank shall promptly open a new Account and issue a new Private Label Credit Card or Co-Branded Credit Card with respect to each Credit Card Application approved in accordance with the Risk Management Policies. In addition, in the case of any employee of FDS or any of its Subsidiaries who applies for an FDS Credit Card but is not approved for a Private Label Account in accordance with the Risk Management Policies, Bank shall arrange for an Affiliate to offer, or cause to be offered, and Bank shall issue, or arrange for the issuance by an Affiliate of, a Prepaid Employee Account. To the extent approved in accordance with the terms of this Agreement, in addition to the FDS Credit Cards and Approved Ancillary Products, the Program shall include such other Ancillary Products and other payment products as shall be incorporated in the Program in the future.

2.2 Exclusivity.

(a) General. Except as otherwise provided in this Section 2.2 and in Section 2.3, during the Term, each of the FDS Companies, on behalf of itself and its Affiliates, agrees that it shall not, by itself or in conjunction with or pursuant to agreements with others, directly or indirectly: (i) issue, offer or market in the United States a Credit Card, whether or not bearing an FDS Licensed Mark or any other mark comprised, in whole or in part, of the name of any FDS retail entity, other than through the Program; (ii) expressly authorize any third party to issue, offer or market in the United States a revolving credit or installment loan product bearing an FDS Licensed Mark or any other mark comprised, in whole or in part, of the name of any FDS retail entity, other than through the Program; or (iii) sell, rent or otherwise make available, or allow others to sell, rent or otherwise make available, any FDS Shopper Data or other Cardholder information for marketing, issuance or offering of any revolving credit or installment loan product bearing an FDS Licensed Mark or any other mark comprised, in whole or in part, of the name of any FDS retail entity.

(b) GE/Macy's and May Credit Cards. Notwithstanding Section 2.2(a), (i) FDS and its Affiliates shall have the right to continue to exercise their rights and perform their obligations pursuant to the GE/Macy's Program Agreement until the termination thereof; provided that FDS shall not permit the term of such agreement to be extended or renewed and (ii) following the May Merger and prior to the Third Closing Date, FDS and its Affiliates shall be entitled to offer

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the May Accounts and operate the May Business (as defined in the Purchase Agreement) as contemplated by the Purchase Agreement.

(c) Second-Look Credit Card Program. Notwithstanding Section 2.2(a), FDS and its Affiliates shall have the right at any time during the Term to establish a program (a "Second Look Program") for issuing Credit Cards, including Private Label Credit Cards and Co-Branded Credit Cards, using the FDS Licensed Marks, to customers whose Credit Card Applications have been declined by Bank (and customers who were granted credit under the Program, but for whom the credit granted is not sufficient to accommodate the purchase of any FDS Goods and Services). Upon the request of any FDS Company, Partner shall forward to the FDS Companies or a provider of secondary financing the Credit Card Applications with respect to such customers and shall take such other actions as are reasonably requested by the FDS Companies in order to facilitate the issuance of Credit Cards to such customers pursuant to any Second Look Program.

(d) Debit Cards. In the event that FDS or any of its Affiliates desires to issue or market a debit card that bears the brand of the relevant card association and one or more FDS Licensed Marks ("FDS Debit Cards"), FDS shall first provide notice to Bank of such desire. Bank shall have thirty (30) days from the receipt of such notice to make a proposal (or to cause one of its Affiliates to make a proposal) with respect to such issuance. If Bank or one of its Affiliates elects to make such a proposal during such time period, FDS shall negotiate in good faith with Bank or such Affiliate to arrive at an agreement providing for the offering, on mutually satisfactory terms, of a debit card product featuring functionality and terms mutually agreeable to FDS and Bank. In the event that FDS and Bank (or Bank's Affiliate) fail to reach agreement on the principal terms thereof within thirty (30) days from the date of Bank's initial proposal to FDS, FDS shall be free to issue FDS Debit Cards or enter into an arrangement with any third party to issue FDS Debit Cards; provided that FDS shall not enter into any such third party arrangement having contractual terms, product features and functionality that are in the aggregate materially less favorable to FDS than the terms, features and functionality offered to FDS by Bank or its Affiliate.

(e) Retail Portfolio Acquisition. Notwithstanding Section 2.2(a), Bank's sole rights with respect to Credit Card portfolios acquired by FDS or its Affiliates during the Term are set forth in Section 2.3 hereof. The limitations, restrictions and procedures set forth in Section 2.2(d) shall not apply to debit card portfolios acquired by FDS or its Affiliates, and Bank shall have no rights with respect to any such acquired portfolios.

(f) Payment Plans. Without the prior written consent of Bank, none of FDS or its Affiliates shall offer the payment plans set forth on Schedule 4.8(b)(i) to their retail customers except (i) through the Program, (ii) through a second-look Credit Card program established in compliance with Section 2.2(c) or (iii) to the extent that, without the consent of FDS, such payment plans are no longer offered through the Program.

(g) Other Products. Notwithstanding the prohibitions set forth in this Section 2.2, FDS and its Affiliates shall be free to do any of the following at any time:

(i) issue, offer or market any payment products not expressly covered in this Section 2.2 (e.g., FDS and its Affiliates shall not be restricted from issuing, accepting or

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otherwise taking action with respect to (A) gift cards, pre-paid cards or stored value cards, whether or not bearing an FDS Licensed Mark, or (B) debit cards (whether or not bearing an FDS Licensed Mark) other than to the extent set forth above with respect to FDS Debit Cards);

(ii) participate in rewards programs and promotions by card associations or for cards not branded with any of the FDS Licensed Marks (e.g., American Express Membership Rewards);

(iii) offer its customers a loyalty program of any type (whether or not using an FDS Licensed Mark); provided that (a) no such program shall (1) promote the generation of Credit Card accounts in the United States other than the Accounts or (2) be marketed more prominently in any retail stores operated by FDS and Subsidiaries than the Loyalty Programs offered under the Program; and (b) the Loyalty Programs offered under the Program shall be the primary loyalty programs of FDS and its Subsidiaries (as applicable); and

(iv) accept any type of Credit Card, debit card or other payment product for purchases of FDS Goods and Services.

2.3 Retail Portfolio Acquisitions.

(a) Small Acquired Portfolios. If FDS or any of its Affiliates acquires (including by merger, consolidation or other business combination) a retail department store business that directly or through an Affiliate or unaffiliated third party issues a Credit Card in the United States and the portfolio of such Credit Cards has Gross Receivables, as of the month-end preceding the date of acquisition, of less than five hundred million dollars (\$500,000,000) (a "Small Portfolio"), unless it is prohibited from doing so by contractual prohibitions applicable to the acquired business or by Applicable Law, FDS or such Affiliate shall sell, and Bank shall purchase, such Small Portfolio in accordance with the terms and procedures set forth in Schedule 2.3(a); provided, however, that Bank's obligation to purchase the Small Portfolio shall be subject only to receipt of applicable regulatory approvals and the execution by FDS of the transaction agreement referred to in Section 2.3(c).

(b) Significant Acquired Portfolios.

(i) If FDS or any of its Affiliates acquires (including by merger, consolidation or other business combination) a retail department store business that directly or through an Affiliate or unaffiliated third party issues a Credit Card in the United States and the portfolio of such Credit Cards has Gross Receivables, as of the month-end preceding the date of acquisition, of five hundred million dollars (\$500,000,000) or more (a "Significant Portfolio"), FDS may elect to (A) keep such Significant Portfolio (or if the portfolio is then subject to an agreement with a third party issuer, retain such portfolio with such third party issuer), or (B) subject to Bank's Right of First Offer, transfer such Significant Portfolio to a third party.

(ii) If FDS elects to keep such Significant Portfolio (or if the portfolio is then subject to an agreement with a third party issuer, retain such portfolio with such third party issuer), FDS shall have the right to operate (itself or through arrangements with a third party) the Credit Card business associated with such Significant Portfolio. If FDS does not sell the Significant Portfolio to Bank and this Agreement remains in effect, the restrictions of Section 2.2

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shall not apply to the Credit Card business associated with such Significant Portfolio, including any growth thereof.

(c) In the event of a sale of a Small Portfolio to Bank or if FDS accepts an offer from Bank to purchase a Significant Portfolio, (i) the Parties shall promptly negotiate in good faith and execute a purchase agreement for such portfolio, which shall contain terms and conditions substantially similar to the Purchase Agreement to the extent applicable (and such other terms and conditions as may be mutually satisfactory to the Parties), and (ii) FDS shall arrange for the Parties to have reasonable access to information regarding such portfolio to enable the Parties to perform customary due diligence for purposes of determining the purchase price for such portfolio. The Parties shall not unreasonably withhold or delay execution of such purchase agreement or any other documents necessary to effectuate such sale. The Parties shall use reasonable efforts to ensure that the closing under such purchase agreement occurs as promptly as reasonably practicable following the execution of such purchase agreement.

(d) Third Party Programs. Notwithstanding the foregoing provisions of this Section 2.3, if the Credit Cards offered by the acquired retail department store business are issued by a third party pursuant to a program agreement or other contractual arrangement between such third party and such acquired retail business, the FDS Companies shall not be required to terminate such agreement or arrangement in order to offer such portfolio to Bank. Following completion of such acquisition, FDS and its Affiliates shall be entitled to continue to comply with such agreements or arrangements and to renew such agreements or arrangements upon their expiration. Without limiting their rights and obligations hereunder, Bank shall cooperate with the FDS Companies in an effort to ensure that the operation of the Program and the acquired program can both continue without disruption to the customer base of FDS and its Affiliates;

provided, however, that any cross-acceptance of Credit Cards between the Program and any such other third party program or arrangement shall be made only on a reciprocal basis.

(e) Bank Programs. Notwithstanding the foregoing provisions of this Section 2.3, if the Credit Cards offered by the acquired retail department store business are owned by Bank or any of its Affiliates, upon request of FDS, FDS and Bank shall negotiate in good faith in order to enter into an agreement containing mutually satisfactory terms pursuant to which the acquired Credit Card portfolio would be integrated into the Program by converting the acquired Credit Card accounts into Accounts subject to this Agreement; provided, however, that if the Parties, after having used good faith to do so, cannot reach a mutually satisfactory agreement for the integration of such acquired Credit Card portfolio into the Program, then the Program and the acquired Credit Card portfolio shall continue to be operated in accordance with the then-existing respective terms applicable to each, and Bank shall not be deemed in breach of the provisions of Section 2.5 in respect of the continued operation of such acquired Credit Card portfolio.

(f) Conversion of Purchased Accounts. If Bank or any of its Affiliates acquires any Credit Card portfolio pursuant to this Section 2.3, unless otherwise provided in this Section 2.3, the Parties shall integrate such Credit Card portfolio with the Program and convert all acquired Credit Card accounts to Accounts established under the Program, which converted Accounts shall be subject to the same terms and conditions as the Accounts and to this Agreement, and shall participate in the Program, as if they were originated under this Agreement. Bank shall cover all costs and expenses related to conversions pursuant to this Section 2.3(f) (which costs

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and expenses shall be Program Expenses), including replacement of Credit Cards, notices to Cardholders and complying with other requirements of Applicable Law.

(g) No Other Obligations. Except as set forth in this Section 2.3, neither Party nor any of their respective Affiliates shall (i) have any obligation to include in the Program any Credit Card portfolios acquired in connection with any merger, consolidation, acquisition or other transaction or otherwise cause them to be transferred to Bank or (ii) have any obligation to include any debit card program so acquired in the Program or otherwise transfer any such program to Bank. Except to the extent included in the Program, an acquired portfolio may be operated free of the exclusivity restrictions set forth in this Agreement.

2.4 Retail Portfolio Dispositions.

(a) In the event that FDS or any of its Affiliates arranges for the sale of (a) any existing chain or other group of separately identifiable stores, including through the sale of a division or subsidiary of FDS (a "Sold Chain"), or (b) all stores or other retail establishments within an MSA ("Sold Area Stores"), Bank shall negotiate in good faith with FDS in connection with such disposition to the extent the purchaser of any Sold Chain or Sold Area Stores expresses an interest in the Program Assets primarily related thereto. If, as a result of a disposition referred to in the preceding sentence, FDS ceases to own any stores in a particular MSA, then, in the event that neither FDS nor the purchaser of the Sold Chain or Sold Area Stores purchases the Program Assets primarily related thereto, the provisions of clause (a) of Section 16.4 hereof shall apply in respect of any Account (a) that at the time of such disposition has been or thereafter becomes purchase-inactive for at least twelve (12) consecutive Billing Cycles and (b) for which seventy-five percent (75%) of the purchase activity in the twelve (12) Billing Cycles preceding the period of inactivity was at a store or stores disposed of. Notwithstanding the foregoing, any replacement or substitute Credit Card issued to the holders of such Accounts shall be a non-partner Credit Card (i.e. a Credit Card that is issued by Bank or its Affiliates other than pursuant to a program, joint-marketing or similar agreement with a third party). Notwithstanding the foregoing, Bank shall not sell any of the foregoing Accounts without the prior written consent of FDS (which consent shall not be unreasonably withheld).

(b) In the event that FDS or any of its Affiliates arranges for the sale of stores, divisions or subsidiaries pursuant to a settlement with or other written commitment to a Governmental Authority in connection with such Governmental Authority's review of the May Merger, FDS shall have the right to cause the disposition of the portion of the Program Assets related to such

disposition to a third party purchaser for a purchase price equal to (i) the Cardholder Indebtedness of the Program Assets disposed of plus (ii) the product of (A) the Premium plus the Additional Premium paid in respect of all Purchased Accounts times (B) (1) Cardholder Indebtedness of the Program Assets disposed of divided by (2) total Cardholder Indebtedness.

2.5 Partner Exclusivity. During the Term, neither Bank nor any of its Affiliates shall enter into any agreement with any of the retailers listed on Schedule 2.5 or any of their respective Affiliates providing for issuance, offering or marketing in the United States of a Credit Card bearing a corporate name, brand or trademark used by any of such retailers in connection with the operation of their retail businesses in the United States.

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2.6 General Electric Capital Corporation / Macy's Credit Card Program. Prior to the Second Closing, Bank shall work together with the FDS Companies to (i) ensure that the Program and the program under the GE/Macy's Program Agreement shall continue to coexist in substantially the same manner as prior to the Effective Date and (ii) avoid, to the extent possible (consistent with this Agreement), any conflicts that may arise between the operations of the Program and those of the program under the GE/Macy's Program Agreement. Prior to the consummation of the Second Closing (and the termination or expiration of the GE/Macy's Program Agreement), Bank shall have no right to any amounts received by FDS pursuant to the GE/Macy's Program Agreement or to any amounts generated by GE/Macy's Accounts or GE/Macy's Receivables. Bank shall not be liable hereunder for any act or omission to act to the extent that such act or omission was properly taken by Bank in order to satisfy its respective obligations under this Section 2.6 without gross negligence or willful misconduct (and no such act or omission shall constitute an Event of Default hereunder).

ARTICLE III

PROGRAM MANAGEMENT AND ADMINISTRATION

3.1 Program Objectives. In performing their responsibilities with respect to the management and administration of the Program, each Party shall be guided by the following Program objectives (the "Program Objectives"):

- (a) to drive retail sales and profitability of the FDS Companies and their Affiliates;
- (b) to provide high-quality service consistent with the preservation and enhancement of the FDS brands;
- (c) to differentiate the FDS Companies and their Affiliates from their competitors in terms of customer value, convenience and service;
- (d) to provide a Program tailored to the unique characteristics of the retail customers of the FDS Companies and their Affiliates; and
- (e) to retain existing Cardholders and generate new Accounts and FDS Credit Card usage to drive the FDS Companies' and their Affiliates' retail sales and increase Program revenues and profitability.

3.2 Operating Committee.

(a) Establishment of the Operating Committee. FDS Bank, on behalf of the FDS Companies, and Bank hereby establish a committee (the "Operating Committee") to oversee and review the conduct of the Program pursuant to this Agreement and to perform any other action that, pursuant to any express provision of this Agreement, requires its action.

(b) Subcommittees of the Operating Committee. The Operating Committee may designate additional committees (which may include persons who are not members of the Operating Committee) with responsibility for overseeing and administering specified aspects of the Program (e.g., marketing, underwriting and risk management); provided, however, that

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approval of any matter expressly required by this Agreement to be approved by the Operating Committee shall not be delegated to any subcommittee or other

body.

(c) Composition of the Operating Committee. The Operating Committee shall consist of six (6) members, of whom three (3) members shall be nominated by FDS Bank (the "FDS Bank Designees") and three (3) members shall be nominated by Bank (the "Partner Designees"). The initial FDS Bank Designees and Partner Designees shall be determined prior to the First Closing. FDS shall at all times have as one of its designees the FDS Manager (as defined in Section 3.4(a)) and Bank shall at all times have as one of its designees Bank Manager (as defined in Section 3.4(a)). Bank and FDS Bank may each substitute its designees to the Operating Committee from time to time, provided that each Party shall provide the other Party with as much prior notice of any such substitution as is reasonably practicable under the circumstances.

(d) Functions of the Operating Committee. Subject to Sections 3.2(e), 3.2(f) and 3.2(g), the Operating Committee shall:

- (i) approve the semi-annual and annual Budget and the Business Plan, including the assumptions and performance targets reflected therein;
- (ii) review monthly, quarterly and annual Program performance relative to the Budget and the Business Plan and Program Objectives;
- (iii) oversee Program marketing activities, including:
 - (A) review and approval of the Marketing Plan; and
 - (B) allocation of the Additional Marketing Commitment;
- (iv) review collection strategies and collection metrics;
- (v) monitor activities of competitive programs and identify implications of market trends;
- (vi) approve (which approval will not be unreasonably withheld) the use of any third party (e.g., subcontractor or outsourced service provider), other than any Affiliate or Licensee of FDS or Bank, as the case may be, to perform any obligation to be performed by Bank or the FDS Companies under the Program to the extent such obligation involves customer contact (whether in person, by telephone or in writing) prior to ninety (90) days' delinquency (as set forth on, and in accordance with, Schedule 4.2(a)(iv)), in each case, except to the extent subcontracted or outsourced as of the Effective Date;
- (vii) evaluate and approve changes to the Primary Initial Program Terms, including the evaluation and approval of any of the following:

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- (A) offering of new Credit Card or other payment products or Ancillary Products;
- (B) changes in Cardholder terms, including any of the terms set forth on Schedule 4.7;
- (C) changes to the Risk Management Policies (which shall be submitted to the Operating Committee together with the expected pro forma effects of such changes on the Program);
- (D) changes to the Operating Procedures;
- (E) changes to the SLAs applicable to the Program;
- (F) changes to existing Value Propositions, or approval of additional Value Propositions to be supported by the Program;

- (viii) approve the design of Credit Card Documentation, the design of FDS Credit Cards and any changes thereto;
- (ix) review customer service, collections and other servicing performance and reporting aspects of the Program against SLAs and other requirements of this Agreement;
- (x) approve any capital expenditures (or group of related capital expenditures) that would constitute Program Expenses in excess of one hundred thousand dollars (\$100,000) in any Fiscal Year;
- (xi) carry out such other tasks as are assigned to it by this Agreement or jointly by the Parties;
- (xii) approve any modifications to the Transition Plan;
- (xiii) approve changes to the Program Privacy Policy or the notice set forth in Schedule 6.2(b); and
- (xiv) evaluate and approve new Credit Card products, Ancillary Products or other products and services proposed to be offered to Cardholders.

(e) Proceedings of the Operating Committee.

(i) Meetings and Procedural Matters. The Operating Committee shall meet (in person or telephonically) not less frequently than monthly. In addition, any member of the Operating Committee may call a special meeting by delivery of at least five (5) Business Days' prior notice to all of the other members of the Operating Committee, which notice shall specify the purpose for such meeting. Except to the extent expressly provided in this Agreement, the Operating Committee (and any subcommittee formed by it) shall determine the frequency, place

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and agenda for its meetings, the manner in which meetings shall be called and all procedural matters relating to the conduct of meetings and the approval of matters thereat.

(ii) Actions.

(A) Each of FDS and Bank shall be entitled to one vote in respect of all matters to be approved by the Operating Committee (or any applicable subcommittees). Any one of the representatives of FDS and of Bank on the Operating Committee (or any subcommittee) may cast the vote allocated to FDS or Bank, as the case may be, in the manner determined by such representatives. Any matter requiring the approval of the Operating Committee (or any subcommittee) shall require the affirmative approval of both FDS and Bank.

(B) If the Operating Committee shall fail to agree on any matter of significance to the Program, including any unresolved subcommittee matter to which the Operating Committee has attempted in good faith to resolve (an "Unapproved Matter"), then such Unapproved Matter shall be referred to the Executive Committee (as defined in Section 3.3) for further consideration. Any such resolution by the Executive Committee shall be deemed to be the action and approval of the Operating Committee for purposes of this Agreement. If a majority of the Executive Committee members constituting the full Executive Committee (including any vacancies) shall fail to resolve the Unapproved Matter within ten (10) Business Days after such matter has been referred to the Executive Committee, then such Unapproved Matter shall be referred to the President of Citi Cards and the Vice Chairman or other senior executive of FDS responsible for FDS's credit program, who shall in good faith attempt to resolve the matter. Any such resolution by such senior officers shall be

deemed to be the action and approval of the Operating Committee for purposes of this Agreement. If, after ten (10) Business Days, the Unapproved Matter remains unresolved by such senior officers of FDS Bank and Bank, the failure to agree shall constitute a deadlock. In the event of a deadlock, the final decision shall rest with FDS Bank in the case of FDS Matters and with Bank in the case of Partner Matters, each of whom shall exercise their discretion reasonably and in good faith. If a deadlock should occur with respect to a matter that is neither an FDS Matter nor a Partner Matter, the matter shall be deemed rejected by the Operating Committee.

(C) No changes to the Primary Initial Program Terms shall be made before the first anniversary of the Effective Date without the approval of the Operating Committee (it being understood that "approval" shall not include any decision made pursuant to the penultimate sentence of Section 3.2(e)(ii)(B)); provided, however, that (i) if a Party concludes that a change is required by Applicable Law or is commensurate and proportionate to any negative changes in through the door populations or individual segment performance (as evidenced and measured by validated scores or generally accepted, data driven credit risk metrics), and (ii) if such Party would have final decision making authority with respect to such change (pursuant to Section 3.2(f) or (g)), then, after satisfying all procedures provided in this Article III with respect to the consideration and

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approval of the matter by the Operating Committee, such Party may make the change without regard to this clause (C).

(D) Without limiting the provisions of this Article III, during the first year following the Effective Date, the Operating Committee will consider the matters set forth on Schedule 3.2(e)(ii)(D).

(f) FDS Matters. In accordance with and subject to this Section 3.2, FDS Bank shall have the ultimate decision making authority with respect to the matters set forth on Schedule 3.2(f) (the "FDS Matters").

(g) Partner Matters. In accordance with and subject to this Section 3.2, Bank shall have the ultimate decision making authority with respect to the matters set forth on Schedule 3.2(g) (the "Partner Matters").

3.3 Executive Committee. The strategic direction of the Program shall be subject to the review of an executive committee (the "Executive Committee"). The Executive Committee shall be responsible for (i) periodically reviewing the Program; (ii) setting and reviewing strategy for the Program; (iii) overseeing competitive positioning of Program information systems support and strategy; (iv) reviewing fundamental changes in the operation of the Program; and (v) all other matters that the Parties agree should be reviewed by the Executive Committee. The Executive Committee shall consist of four (4) members, with two (2) members appointed by each of FDS and Bank and reasonably acceptable to each other. Each Party shall have the right to remove or replace its appointees for any reason and at any time, and to fill any vacancy with respect to its appointees. The initial appointees to the Executive Committee of each Party shall be determined prior to the Effective Date. The Executive Committee shall meet (in person or by telephone or video conference) quarterly or at such other intervals and at places as may be decided by the members of the Executive Committee; provided, that either FDS Bank or Bank may call a meeting of the Executive Committee by delivery of at least thirty (30) Business Days' prior written notice to the other Party (which written notice may be waived by written agreement of all members of the Executive Committee) containing the purpose, time and place of the meeting. The members of the Executive Committee shall appoint an acting chairman and adopt such other rules for the conduct of meetings as are agreed upon from time to time. The Executive Committee shall be subject, mutatis mutandis, to the same voting and records provisions of the Operating Committee set forth in Section 3.2 above.

3.4 Program Relationship Managers; Partner Program Team.

(a) Bank and the FDS Companies shall each appoint one Program relationship manager (each, a "Manager"; the appointee of the FDS Companies, the "FDS Manager"; and the appointee of Bank, the "Bank Manager"). The FDS Manager and the Bank Manager shall be the leaders of their respective teams and they and their teams shall conduct their responsibilities in accordance with the terms of this Agreement. The FDS Companies and Bank shall endeavor to provide stability and continuity in the Manager positions and Bank's other Program personnel.

(b) The initial FDS Manager shall be determined prior to the Effective Date.

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(c) The initial Bank Manager and the member of Bank's senior management to whom the Bank Manager reports shall be determined prior to the Effective Date. The Bank Manager's performance-based compensation shall be based upon the Program Objectives and other specific annual targets and objectives, including Program profitability targets. Prior to appointing a new Bank Manager, Bank will (i) provide FDS an opportunity to meet the proposed candidate, (ii) consult with FDS and permit FDS an opportunity to provide input and express its views as to the proposed candidate and (iii) give due consideration to FDS's input and views as to the appointment of the new Manager. With respect to future Bank Manager candidates, Bank shall seek to propose candidates with substantial Program-relevant experience, including (i) substantial Credit Card industry experience and/or (ii) experience with the department store industry, and/or comparable customer demographics and/or loyalty programs.

(d) Prior to appointing a new Manager, the FDS Companies will (i) provide Bank an opportunity to meet the proposed candidate, (ii) consult with Bank and permit Bank an opportunity to provide input and express its views as to the proposed candidate and (iii) give due consideration to Bank's input and views as to the appointment of the new Manager.

(e) Bank shall maintain a Program team having expertise and experience commensurate with a Credit Card program of the size and nature of the Program. Neither the Bank Manager nor any senior member of Bank's Program team that is or was a leader of Bank's risk management, finance, decision management or marketing Program groups shall be reassigned to any program operated by Bank or any of its Affiliates pursuant to any agreement or arrangement with any retailer listed on Schedule 2.5 within twelve (12) months of the date that such person last worked on the Program.

ARTICLE IV

PROGRAM OPERATIONS

4.1 Operation of the Program.

(a) Each of the Parties hereto shall perform its obligations under this Agreement (i) in compliance with the terms and conditions of this Agreement (including any policies, procedures and practices adopted pursuant to this Agreement), (ii) in good faith, and (iii) in a manner consistent with the Program Objectives and any annual targets and objectives set by the Operating Committee from time to time.

(b) The initial Operating Procedures applicable to various aspects of the operation of the Program are attached hereto as Schedule 4.1(b). Changes to such Operating Procedures shall only be made with the approval of the Operating Committee.

(c) Except as expressly provided otherwise in this Agreement, Bank shall use commercially reasonable efforts to ensure that the personnel and other resources (including Systems and other technology resources) devoted by Bank to the Program shall be appropriate for a program of the size and nature contemplated by this Agreement.

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4.2 Certain Responsibilities of the FDS Companies.

(a) In addition to its other obligations set forth elsewhere in this Agreement, FDS Bank agrees that during the Term it shall, in its capacity as FDS Servicer (either itself or through the Affiliate(s) to which it subcontracts the

relevant functions), take the following actions all in accordance with the Risk Management Policies and the Operating Procedures:

(i) as provided in Sections 7.2 and 7.3, maintain a System to process Credit Card Applications, service the Accounts and effect customer service;

(ii) as provided in Sections 7.2 and 7.3, maintain call centers to respond to inquiries from Cardholders and to deal with billing related claims and adjustments (including by making finance charge and late fee reversals and rebates), establish new Accounts or Account types, authorize transactions, and assign, increase and decrease credit lines;

(iii) as provided in Sections 7.2 and 7.3, provide Account monitoring services, including identifying delinquencies, implementing collection efforts, implementing credit-line adjustments, over limit authorizations and Account deactivation or cancellation;

(iv) as provided in Sections 7.2 and 7.3, handle early stage collection and recovery efforts in respect of Accounts delinquent no more than ninety (90) days as set forth on, and in accordance with, Schedule 4.2(a)(iv) ("Early Age Collection");

(v) deliver Monthly Settlement Sheets, Quarterly Settlement Sheets and Year-End Settlement Sheets in accordance with this Agreement, including, in each case the calculation of Pre-tax Profit and the other amounts and estimates set forth on Schedule 1.1(i) for the applicable period; and

(vi) until the Services Transition Date, perform the Interim Services.

(b) In addition to their other obligations set forth elsewhere in this Agreement, the FDS Companies agree that during the Term they shall:

(i) solicit new Accounts through in-store instant credit procedures (in accordance with this Agreement) and display of Solicitation Materials (or Credit Card Applications) in the FDS Channels pursuant to the Marketing Plan;

(ii) implement and administer the Marketing Plan in accordance with this Agreement;

(iii) pay sales associate compensation relating to the solicitation of new Accounts;

(iv) receive In-Store Payments, subject to reimbursement to Bank and reimbursement from Bank for the processing of such payments as provided in this Agreement;

(v) deliver to Bank accounting data feeds, including data relating to Cardholder Indebtedness, finance charges billed and charge-offs, and other financial and

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statistical information as may be reasonably requested by Bank for financial reporting and securitization purposes and in connection with the exercise and performance of its rights and obligations under this Agreement, such data feeds and other information to be delivered electronically and in a form to be mutually agreed; and

(vi) implement the Transition Plan in a timely manner.

4.3 Certain Responsibilities of Bank.

(a) In addition to the other obligations set forth elsewhere in this Agreement, Bank agrees that during the Term it shall:

(i) subject to Article III and Section 4.6, establish and implement all Risk Management Policies;

(ii) fund all Program Expenses as provided in this Agreement;

(iii) use Bank's and Bank's Affiliates' data and data resources to support the Program and increase sales of FDS Goods and Services as provided in Section 5.4(a);

(iv) following the applicable Services Transition Date, in accordance with Sections 7.2 and 7.3, process remittances from Cardholders;

(v) following the applicable Services Transition Date, in accordance with Sections 7.2 and 7.3, prepare, process and mail Credit Card Documentation, Inserts, privacy policy notices, change in terms notices and other communications to Cardholders, and provide the FDS Companies with adequate supplies of Credit Card Applications;

(vi) fund all Cardholder Indebtedness on the Accounts;

(vii) extend credit on newly originated and existing Accounts and offer the Value Propositions with respect to those Accounts as are provided for pursuant to this Agreement;

(viii) comply with the terms of the Credit Card Agreements, the Program Privacy Policies and all Cardholder opt-ins and opt-outs;

(ix) following the applicable Services Transition Date, in accordance with Sections 7.2 and 7.3, handle collection and recovery efforts in respect of Accounts other than Early Age Collection efforts;

(x) maintain the mainframe credit system and the call center client service systems, in each case to the extent FDS's Systems are not used; and

(xi) implement the Transition Plan in a timely manner.

4.4 Ownership of Accounts.

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(a) Except to the extent of the FDS Companies' ownership of the FDS Licensed Marks and the options to purchase Program Assets under Sections 2.4 and 16.2, CEBA Bank shall be the sole and exclusive owner of all Accounts (including the Purchased Accounts), Cardholder Indebtedness and Account Documentation. All purchases by Cardholders that are charged on the Accounts and the Cardholder Indebtedness shall create a relationship of debtor and creditor between the Cardholders and Bank, respectively. None of the FDS Companies or their Affiliates shall be considered a creditor with respect to any Account or the Gross Receivables arising thereunder.

(b) Except as expressly provided herein (including Section 9.3), Bank shall be entitled to (i) receive all payments made by Cardholders on Accounts, (ii) retain for its account all Cardholder Indebtedness and all other fees and income authorized by the Credit Card Agreements and collected with respect to the Accounts and Cardholder Indebtedness, and (iii) retain for its account all income from selling Approved Ancillary Products.

4.5 Branding of Accounts/Credit Cards/Credit Card Documentation/Solicitation Materials.

(a) The Credit Card Documentation, the FDS Credit Cards and the Solicitation Materials shall be in the design and format proposed by the FDS Companies and approved by the Operating Committee; provided that, to the extent subject to Bank's final authority, Bank shall be responsible for ensuring that the Credit Card Documentation, the FDS Credit Cards and the Solicitation Materials comply with Applicable Law and for ensuring that the FDS Credit Cards and the Solicitation Materials comply with the Credit Card Documentation. Unless otherwise agreed by the Parties, Billing Statements with respect to Co-Branded Credit Cards shall be designed to separately reflect in two (2) separate Billing Statements (i) information with respect to the associated Private Label Account and (ii) information with respect to the associated General Purpose Account.

(b) Bank shall bear the costs and expenses of development and delivery of the Credit Card Documentation, FDS Credit Cards and Solicitation Materials, which shall be Program Expenses.

(c) The applicable FDS Licensed Marks shall appear prominently on (i) the

face of the FDS Credit Cards issued or renewed after the Effective Date, (ii) the Credit Card Documentation created after the Effective Date and (iii) the Solicitation Materials created after the Effective Date. Unless otherwise agreed by the Operating Committee, the FDS Credit Cards, the Credit Card Documentation and the Solicitation Materials shall not bear Bank Licensed Marks; provided, however, that Bank's name shall appear (i) on the back of the FDS Credit Cards issued or renewed after the Effective Date, (ii) on the Credit Card Documentation created after the Effective Date and (iii) on the Solicitation Materials created after the Effective Date, in each case to identify Bank as the credit provider under the Program, together with any other disclosures required by Applicable Law.

4.6 Underwriting and Risk Management.

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(a) Subject to Section 2.1 with respect to Prepaid Employee Accounts, Bank shall accept or reject any Credit Card Application based solely upon application of the then-current Risk Management Policies. Upon satisfaction of the applicable credit criteria set forth in the Risk Management Policies, Bank shall promptly establish a Private Label Credit Account and/or a General Purpose Account, as applicable. The Credit Card types to be associated with such Accounts shall be established in accordance with the terms of the Loyalty Programs and the Risk Management Policies. Bank shall have the right, power and privilege to review periodically the creditworthiness of Cardholders to determine the range of credit limits to be made available to individual Cardholders and whether or not to suspend or terminate credit privileges of such Cardholders; provided, however, that Bank shall only decrease credit limits or suspend or terminate credit privileges on an individual Account basis consistent with the then current Risk Management Policies and in a manner consistent with Article III and this Section 4.6.

(b) The initial Risk Management Policies to be in effect as of the Effective Date are attached hereto as Schedule 4.6(b). Each Party may propose modifications of any aspect of the Risk Management Policies, which modifications shall be made only in accordance with Article III.

(c) The Program shall be operated throughout the Term to achieve the targets set forth in Schedule 4.6(c)(ii). In the case of any inconsistency between the terms of Schedule 4.6(c)(i) and (ii), the terms of Schedule 4.6(c)(ii) shall control. If the targets set forth in Schedule 4.6(c)(ii) are not achieved with respect to any measurement period set forth on Schedule 4.6(c)(ii) with respect to the applicable target, the actions set forth on Schedule 4.6(c)(iii) shall apply.

(d) In the event of a change in (i) the applicable through-the-door population or individual segment performance (as measured by validated scores or generally accepted, data driven credit risk metrics), (ii) industry wide performance expectations or (iii) Applicable Law, the Operating Committee shall consider and approve any changes to Schedules 4.6(c)(i) and 4.6(c)(ii) and shall preserve the targets or alternative targets, as appropriately and mutually agreed, and remedies set forth in such schedules, but after taking into account the relevant change referred to in clause (i), (ii) or (iii).

(e) Within fifteen (15) days after the end of each Fiscal Month, Bank shall report to FDS Bank, in a mutually agreed upon format, the applicable metrics with respect to each of the targets set forth on Schedule 4.6(c)(ii) during such Fiscal Month (it being understood that the measurement period to determine any penalties associated with such targets under Schedule 4.6(c)(ii) may exceed one Fiscal Month). During the period in which Interim Services are being provided, reporting will be prepared by FDS Bank and the Parties agree to use FDS Bank generated reporting for review of the applicable metrics with respect to each of the targets set forth on Schedule 4.6(c)(ii) until such time as Bank has the necessary access to such data.

(f) To the extent that the changes implemented as referenced in Schedule 11.1(g) result in substandard performance, such changes, with Operating Committee approval, will be reversed upon demonstration of such substandard performance. Additionally, upon such reversal, the applicable targets in Schedule 4.6(c)(ii) shall be revised as appropriate.

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(g) Bank shall use commercially reasonable efforts to perform all necessary security functions to minimize fraud in the Program due to lost, stolen or counterfeit cards and fraudulent applications. Each of the FDS Companies agrees to use commercially reasonable efforts to cooperate with Bank in such functions.

4.7 Cardholder Terms.

(a) The terms and conditions of all Purchased Accounts and of all new Accounts originated on and after the Effective Date shall be the terms and conditions applicable to the Account type immediately prior to the Effective Date, including the terms and conditions set forth on Schedule 4.7; provided, however, that changes to the terms and conditions of the Accounts may be made only in accordance with Article III.

(b) Except as otherwise agreed by FDS, the card association for all Co-Branded Credit Cards shall be Visa International Inc. and Visa U.S.A. Inc. or any successor thereto. Except as otherwise approved by the Operating Committee, Bank (or CEBA Bank to the extent that Bank has assigned this Agreement to CEBA Bank pursuant to Section 18.2) shall be, at all times during the Term, a Participating Member in the VISA Partnership Program, or any successor thereto.

(c) Unless otherwise agreed by the Parties, (i) the account numbers, BINs and expiration date of all FDS Accounts shall remain the same after the Effective Date, (ii) the account numbers, BINs and expiration date of all GE/Macy's Accounts shall remain the same after the Second Closing Date, and (iii) the account numbers, BINs and expiration date of all May Accounts shall remain the same after the Third Closing Date

4.8 Value Propositions.

(a) Loyalty Programs. All elements of the Star Rewards and Insider Loyalty Programs, as set forth on Schedule 4.8(a) (the "Loyalty Programs"), shall remain in effect and shall be honored by the Parties unless modified by approval of the Operating Committee. Bank shall be responsible for funding all aspects of the Loyalty Programs, as more fully set forth in Schedule 4.8(a), except that FDS shall be responsible for funding the portion of Redeemed Rewards set forth in Schedule 4.8(a).

(b) Payment Plans. Bank shall offer and support the payment plans set forth on Schedule 4.8(b)(i) and, subject to the limitations set forth in this Section 4.8(b), the cost of maintaining such payment plans shall be borne by Bank. Within ten (10) calendar days after the end of each Fiscal Quarter, the FDS Servicer (or following the Systems Transition Date, Bank) shall provide to the other Parties a report setting forth, for such preceding twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter: (i) Average Private Label Receivables and (ii) Average Private Label Interest Free Receivables. If the dollar amount of Average Private Label Interest Free Receivables as a percentage of Average Private Label Receivables for such preceding twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter exceeds the percentage threshold set forth in Schedule 4.8(b)(ii), FDS shall make the applicable cash payment to Bank as set forth in Schedule 4.8(b)(ii) for the actual number of days in such Fiscal Quarter calculated on the basis of a 360-day year, which cash payment shall be excluded from

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the calculation of Pre-Tax Profit. If the dollar amount of Average Private Label Interest Free Receivables as a percentage of Average Private Label Receivables for the preceding twelve (12) Fiscal Month period ended at the end of such Fiscal Quarter is less than the percentage threshold set forth in Schedule 4.8(b)(ii), Bank shall make the applicable cash payment to FDS as set forth in Schedule 4.8(b)(ii) for the actual number of days in such Fiscal Quarter, calculated on the basis of a 360-day year, which cash payment shall be excluded from the calculation of Pre-Tax Profit. The Parties shall negotiate in good faith to adjust the foregoing provisions of this Section 4.8(b) to appropriately reflect the impact of the addition of the May Accounts to the Program as set forth in Schedule 4.8(b)(ii). No such negotiations shall be deemed to constitute an attempt to renegotiate the May Purchase Price under the Purchase Agreement or otherwise affect the Parties' rights thereunder.

(c) Cardholder Discounts. The FDS Companies may provide discounts to Cardholders from time to time; provided the cost of such discounts are borne by

the FDS Companies either through POS markdowns or in accordance with the procedures set forth in Section 8.4.

(d) Changes to Value Propositions. The terms and conditions of the Value Propositions set forth in this Section 4.8, and the Parties' related responsibilities in respect thereof, may be modified solely with the approval of the Operating Committee in accordance with Article III.

(e) Value Proposition Support. Except to the extent performed as part of the services provided by the FDS Servicer prior to the Systems Transition Date, Bank shall be responsible for accounting and servicing of all rewards under the Value Propositions associated with the Program (including with respect to Loyalty Programs, in accordance with the eligibility criteria for each Loyalty Program), such as printing certificates on monthly Billing Statements and rewards summaries. All Value Proposition testing existing as of the Effective Date shall be supported by the Program. Bank shall continue to honor any accrued benefits to customers accrued prior to the Effective Date in connection with such Value Propositions (subject to the reimbursement and other financial obligations of the FDS Companies set forth above in this Section 4.8).

4.9 Participation in Reversals.

(a) Reporting of Reversals. Each Quarterly Settlement Statement shall set forth a calculation of the applicable Finance Charge Reversal Percentage and Late Fee Reversal Percentage for the preceding Fiscal Quarter and such other calculations as are necessary to calculate the payment in respect thereof to be made by the Parties pursuant to this Section 4.9. All amounts payable pursuant to this Section 4.9 (i) shall be netted against each other so that only a single payment shall be made pursuant to this Section 4.9 and (ii) shall be excluded from the calculation of Pre-Tax Profit.

(b) Finance Charge Reversals.

(i) Private Label Accounts. If the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts reflected in the Quarterly Settlement Statement with

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respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all finance charges assessed on the Private Label Accounts during such preceding Fiscal Quarter. If the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Finance Charge Reversal Percentage solely with respect to the Private Label Accounts, multiplied by (B) the aggregate amount of all finance charges assessed on the Private Label Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Private Label Accounts.

(ii) General Purpose Accounts. If the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts reflected in the Quarterly Settlement Statement with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all finance charges assessed on the General Purpose Accounts during such preceding Fiscal Quarter. If the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Finance Charge Reversal Percentage solely with respect to the General Purpose Accounts, multiplied by (B) the aggregate amount of all finance charges assessed on the General Purpose Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the General Purpose Accounts.

(c) Late Fee Reversals.

(i) Private Label Accounts. If the Late Fee Reversal

Percentage solely with respect to the Private Label Accounts reflected in the Quarterly Settlement Sheet with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Late Fee Reversal Percentage solely with respect to the Private Label Accounts minus the applicable High Collar, multiplied by (B) the aggregate amount of all late fees assessed on the Private Label Accounts during such preceding Fiscal Quarter. If the Late Fee Reversal Percentage solely with respect to the Private Label Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Late Fee Reversal Percentage solely with respect to the Private Label Accounts, multiplied by (B) the aggregate amount of all late fees assessed on the Private Label Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the Private Label Accounts.

(ii) General Purpose Accounts. If the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts reflected in the Quarterly Settlement Sheet with respect to the preceding Fiscal Quarter is greater than the applicable High Collar, the FDS Companies shall pay Bank an amount equal to (A) the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts minus the applicable High Collar, multiplied by (B) the

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aggregate amount of all late fees assessed on the General Purpose Accounts during such preceding Fiscal Quarter. If the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts for such Fiscal Quarter is less than the applicable Low Collar, Bank shall pay the FDS Companies an amount equal to (A) the applicable Low Collar minus the Late Fee Reversal Percentage solely with respect to the General Purpose Accounts, multiplied by (B) the aggregate amount of all late fees assessed on the General Purpose Accounts during such preceding Fiscal Quarter calculated on a sum of cycles basis of reporting monthly receivables under the General Purpose Accounts.

(d) Adjustments. Prior to the Third Closing Date, the Parties shall negotiate in good faith to adjust Sections 4.9(b) and (c) (including the High Collars and the Low Collars) to appropriately reflect the impact of the addition of the May Accounts to the Program. No such negotiations shall be deemed to constitute an attempt to renegotiate the May Purchase Price under the Purchase Agreement or otherwise affect the Parties rights thereunder.

4.10 Sales Taxes. FDS and its Subsidiaries shall remit when due any sales taxes relating to the sale of FDS Goods and Services that have been charged to an Account. Unless the FDS Servicer has access to such information in connection with its services hereunder, Bank shall provide the FDS Companies on a monthly basis (based upon Fiscal Months) with a detailed description of all Net FDS Write-offs and shall sign such forms and provide any such other information as requested by FDS to enable FDS and its Subsidiaries to recover any Sales Tax Refunds. Except as expressly provided in this Section 4.10, Bank acknowledges and agrees that it shall not, directly or indirectly, seek to claim or recover any amount by way of a Sales Tax Refund. Bank agrees that, to the extent the laws of any jurisdiction would permit Bank or any of its Affiliates to elect or designate the party entitled to receive Sales Tax Refunds, Bank shall, and shall cause its Affiliates to, take all steps necessary to enable and permit FDS or any of its appropriate Affiliates to elect to receive the Sales Tax Refunds. Further, Bank agrees that, to the extent the Applicable Law of any jurisdiction would permit Bank or any of its Affiliates, but not the FDS Companies or any of their Affiliates, to receive Sales Tax Refunds, Bank shall, and shall cause its Affiliates to, take all steps necessary to receive the Sales Tax Refunds, except to the extent that taking any such steps would reasonably be likely to create any tax obligation or liability of Bank or its Affiliates. Whenever Bank or any of its Affiliates are applying for Sales Tax Refunds in accordance with the preceding sentence, (a) Bank shall promptly notify FDS of the application for Sales Tax Refunds, and (b) FDS and its Subsidiaries shall provide such information reasonably requested by Bank to enable Bank, or any of its Affiliates, to recover any such Sales Tax Refunds. FDS shall pay to Bank an amount equal to Sales Tax Refunds received by FDS and its Subsidiaries, net of an amount equal to the FDS Companies' reasonable out-of-pocket costs incurred in connection with obtaining such Sales Tax Refunds (it being understood that if the reasonable out-of-pocket costs incurred by the FDS Companies or any of their Affiliates to obtain such Sales Tax Refunds exceeds the amount of Sales Tax Refunds actually obtained, then any such excess amounts shall be treated as Program Expenses). All Sales Tax Refunds received by Bank or any of its

Affiliates shall be treated as income of the Program. In the event FDS or any of its Subsidiaries is audited or assessed by a taxing authority, and as a result any Sales Tax Refunds, or any interest or penalties with respect thereto, is repaid to such taxing authority, Bank shall repay such amount to FDS, and such amount shall be treated as a reduction of Program income in the next Monthly Settlement Sheet for the Program. Bank and its Affiliates also shall fully cooperate in any such audit or assessment.

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ARTICLE V

MARKETING

5.1 Promotion of Program. In accordance with the Marketing Plan, Bank and the FDS Companies shall cooperate with each other and actively support and promote the Program to both existing and potential Cardholders.

5.2 Marketing Commitment.

(a) The FDS Marketing Commitment shall be used by FDS and its Affiliates in accordance with the Marketing Plan for any of the following marketing purposes:

- (i) new Credit Card Applications;
- (ii) POS brochures;
- (iii) new Account membership kits;
- (iv) the allocated costs incurred by the FDS Servicer for its use of FedCustomer;
- (v) FDS division incentive programs (other than special promotion incentive funds ("SPIFs") paid to sales associates, which shall be paid from amounts reimbursed pursuant to Schedule 9.3(a));
- (vi) solicitations to Private Label Credit Card Cardholders offering Co-Branded Credit Cards;
- (vii) Inserts, to the extent designed to stimulate usage of FDS Credit Cards;
- (viii) loyalty program testing; and
- (ix) other marketing activities of the type performed by FACS prior to the Effective Date.

(b) Each Monthly Settlement Sheet shall set forth an accounting of the costs incurred, if any, by FDS and its Affiliates in the prior Fiscal Month which may be paid out of the FDS Marketing Commitment and Bank shall (i) reimburse the FDS Companies from the FDS Marketing Commitment for such amounts as provided in Section 9.3 (or, in the event Bank or any other third party conducts any of the above-referenced activities or provides any of the above-referenced services at the request of FDS Bank, upon request of FDS Bank shall retain or pay to the applicable third party the amounts payable in respect of such activities or products) and (ii) reduce the amount remaining in the FDS Marketing Commitment by the amount so reimbursed, retained or paid. To the extent that the expenditures of the FDS Marketing Commitment by FDS and its Affiliates in any Fiscal Year exceed the amount in the FDS Marketing Commitment, the FDS Companies shall be entitled to reimbursement from the FDS Marketing Commitment for the following Fiscal Year of such expenditures to the extent they do

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not exceed (in the aggregate) ten percent (10%) of the Marketing Commitment for the following Fiscal Year (without Operating Committee approval). Any amount in the FDS Marketing Commitment for a given Fiscal Year that is not spent in that Fiscal Year, at the direction of the Operating Committee, either (i) shall remain available for use during the Term; or (ii) if the Operating Committee determines that such amount shall not be used for the Program, shall be included

as income in the calculation of Pre-Tax Profit in the next Year-End Settlement Sheet prepared following such determination.

(c) The Additional Marketing Commitment shall be used as set forth in the Marketing Plan and as otherwise directed by the Operating Committee from time to time. The FDS Companies and Bank shall each provide to the other for inclusion in the Monthly Settlement Sheet, an accounting of such Party's and its Affiliates' use of the Additional Marketing Commitment in the prior Fiscal Month, and Bank shall reimburse the FDS Companies for such amounts used by FDS and its Affiliates, and shall reduce the amount remaining in the Additional Marketing Commitment by the amounts used by Bank and its Affiliates. Any amount in the Additional Marketing Commitment for a given Fiscal Year that is not spent in that Fiscal Year, at the direction of the Operating Committee, either (i) shall remain available for use during the Term or (ii) if the Operating Committee determines that such amount shall not be used for the Program, shall be included as income in the calculation of Pre-Tax Profit in the next Year-End Settlement Sheet prepared following such determination.

(d) Except as otherwise provided in Section 5.2(b), any proposed expenditure in excess of the remaining FDS Marketing Commitment for any Fiscal Year or in excess of the Additional Marketing Commitment for any Fiscal Year shall require the prior approval of the Operating Committee (which at the time of granting any such approval shall approve the treatment of such excess expenditures).

(e) For the avoidance of doubt, neither the FDS Marketing Commitment nor (except as otherwise expressly provided in Section 5.4) the Additional Marketing Commitment shall be used to fund the activities described in Section 5.4 or any other marketing initiatives approved by the Operating Committee pursuant to a Marketing Plan that allocates such costs to Bank.

5.3 Communications with Cardholders.

(a) FDS Inserts. FDS and its Affiliates shall have the exclusive right to communicate with Cardholders, except for any Legally Required Communication, through use of inserts, fillers and bangtails (which shall be included on all billing envelopes) (collectively, "Inserts"), including Inserts selectively targeted for particular classes of Cardholders, in any and all Billing Statements (including electronic Billing Statements) and envelopes, subject to production requirements contained in the Operating Procedures and Applicable Law. Except as otherwise provided in the Marketing Plan, and except for Inserts required by Applicable Law (which shall be paid for by Bank and shall be deemed Program Expenses, except to the extent otherwise provided in Section 11.4(g)), the FDS Companies shall be responsible for the content of, and the cost of preparing and printing, any such Inserts (provided that in the case of "bangtails" such costs shall be limited to the direct costs (without any overhead allocation) incurred by Bank in producing such bangtails). Subject to Section 11.4(g), if the insertion of Inserts in particular Billing Statements would increase the postage costs for such Billing Statements, the FDS

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Companies agree to either pay for the incremental postage cost or prioritize the use of Inserts to avoid postage cost over-runs. The FDS Companies shall retain all revenues they receive from all Inserts (other than any Inserts promoting the FDS Credit Cards or Approved Ancillary Products that the FDS Companies may permit to be produced and distributed in accordance with the Marketing Plan).

(b) Billing Statement Messages. FDS and its Affiliates shall have the exclusive right to use Billing Statement (including electronic Billing Statement) messages and Billing Statement envelope (or electronic mail) messages in each Billing Cycle to communicate with Cardholders, subject to production requirements contained in the Operating Procedures and Applicable Law. Such messages shall be included at no cost to the FDS Companies. Notwithstanding the foregoing, subject to Section 11.4(g), any message required by Applicable Law shall take precedence over FDS's and its Affiliates' messages.

5.4 Additional Marketing Support.

(a) Upon the reasonable request of FDS from time to time, Bank shall perform or cause the performance of the marketing functions set forth on Schedule 5.4(a) at no cost or expense to the FDS Companies (and the cost and expense of performing such functions shall not constitute Program Expenses);

provided, however, that, notwithstanding the foregoing, the FDS Companies shall be responsible for all out-of-pocket third party costs and expenses relating to the production of marketing materials and mailing services (which costs and expenses the FDS Companies may fund from amounts in the Additional Marketing Commitment).

(b) Following the Effective Date, upon FDS's request, Bank shall retain a mutually agreed upon third party to conduct surveys of Cardholder perception and satisfaction on a regular, periodic basis consistent with the practices of the FDS Companies prior to the Effective Date but in no event less frequently than annually (it being understood that the costs associated with the preparation of such surveys shall be treated as paid from the Additional Marketing Commitment). Such surveys shall be in a form and employ methodologies developed in consultation with the FDS Companies and shall provide for a level of information that is at a minimum substantially similar to the information gathered by the FDS Companies prior to the Effective Date. Bank shall make available to the FDS Companies the results of such surveys as well as all associated work papers promptly following completion thereof.

5.5 Ancillary Products. Except for the Approved Ancillary Products and the FDS Credit Cards, Bank and its Affiliates shall not offer (except as directed by the FDS Companies) any goods or services (including any Ancillary Products) to Cardholders or through the Program. Bank may from time to time propose to the Operating Committee that Bank be permitted to solicit through mailings, Billing Statements, Inserts, telemarketing or otherwise, any or all Cardholders for a specific Ancillary Product. If the Operating Committee agrees to permit such solicitations, such solicitations shall be permitted on the terms set by the Operating Committee and the Parties shall be compensated as set forth in Article IX hereof.

5.6 Marketing Plan.

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(a) On an annual basis, the FDS Companies shall develop, in consultation with Bank, a marketing plan for the Program that outlines the objectives, strategies and general tactics for marketing the Program for the applicable Fiscal Year (the "Marketing Plan"). In addition, each Marketing Plan shall (i) include a budget and indicate the anticipated source of funds for each budgeted item and (ii) outline marketing responsibilities of the Parties. The initial Marketing Plan to be in effect as of the Effective Date and until January 28, 2006 is attached hereto as Schedule 5.6.

(b) FDS shall submit the Marketing Plan for each Fiscal Year to the Operating Committee at least thirty (30) days prior to beginning of the Fiscal Year to which such Marketing Plan relates. FDS shall have the right to change an approved Marketing Plan in its sole discretion; provided that any material modification to an approved Marketing Plan shall require the approval of the Operating Committee.

ARTICLE VI

CARDHOLDER INFORMATION

6.1 Customer Information.

(a) All sharing, use and disclosure of Cardholder Data and FDS Shopper Data under this Agreement shall be subject to the provisions of this Article VI. The Parties acknowledge that the same or similar information may be contained in the Cardholder Data, the FDS Shopper Data, and other data and that each such pool of data shall therefore be considered separate information subject to the specific provisions applicable to that data hereunder.

(b) Each Party to the extent it possesses Cardholder Data, and Bank to the extent it possesses FDS Shopper Data, shall maintain an information security program that is designed to meet the objectives of the Interagency Guidelines Establishing Information Security Standards as issued by the Office of the Comptroller of the Currency in the OCC Bulletin, OCC 2005-13 (12 C.F.R. Section 30) and by the Office of Thrift Supervision (12 C.F.R. Section 570, Appendix B) (collectively, the "Guidelines"), including, at a minimum, maintenance of an information security program that is designed to: (i) ensure the security and confidentiality of the Cardholder Data and the FDS Shopper Data; (ii) protect against any anticipated threats or hazards to the security or integrity of the

Cardholder Data and the FDS Shopper Data; (iii) protect against unauthorized access to or modification, destruction, disclosure or use of the Cardholder Data and the FDS Shopper Data; and (iv) ensure the proper disposal of Cardholder Data and FDS Shopper Data. Additionally, such security measures shall meet current industry standards and shall be at least as protective as those used by each Party to protect its other confidential customer information. Each Party shall use the same degree of care in protecting the Cardholder Data and the FDS Shopper Data against unauthorized disclosure as it accords to its own confidential customer information, but in no event less than a reasonable standard of care. In particular, Bank shall treat FDS Shopper Data as if it were "customer information" for purposes of the regulations above. In the event a Party becomes aware of any unauthorized use, modification, destruction or disclosure of, or access to, Cardholder Data, such Party shall immediately notify the other Party and shall cooperate with the other Party, as they deem necessary or as required by Applicable Law, (x) to assess the nature and scope of such incident, (y) to contain and control such incident to prevent further

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unauthorized access to or use of Cardholder Data, and (z) to provide prompt notice to affected Cardholders. In the event Bank becomes aware of any unauthorized use, modification, destruction or disclosure of, or access to, FDS Shopper Data, Bank shall immediately notify the FDS Companies and shall cooperate with them, as they deem necessary or as required by Applicable Law, (x) to assess the nature and scope of such incident, (y) to contain and control such incident to prevent further unauthorized access to or use of FDS Shopper Data, and (z) to provide prompt notice to affected FDS Shoppers. The cost and expenses of any such notice shall be borne solely by the Party that experienced the unauthorized use, modification, destruction or disclosure of, or access to, Cardholder Data or FDS Shopper Data and such costs and expenses shall not be Program Expenses.

(c) The Parties agree that for all purposes of Applicable Law relevant to the sharing, use and disclosure of Cardholder Data and FDS Shopper Data pursuant to this Article VI, FDS and its Subsidiaries shall each be considered "affiliates" of CEBA Bank as such term is used in the Gramm-Leach-Bliley Act, the Fair Credit Reporting Act, any similar provision of state law and any implementing regulations adopted thereunder (it being understood that nothing in this Agreement shall constitute FDS and its Subsidiaries, on the one hand, and Citibank, N.A., on the other hand, Affiliates of each other for such purposes).

6.2 Cardholder Data.

(a) As among the Parties hereto, the Cardholder Data shall be the property of and exclusively owned by CEBA Bank.

(b) The privacy notice provided to Cardholders pursuant to the Gramm-Leach-Bliley Act constituting part of the Program Privacy Policy shall be in the form attached hereto as Schedule 6.2(b). Any changes to such privacy notice or to the Program Privacy Policy described therein shall be made only in accordance with Article III.

(c) Bank shall not use, or permit to be used, the Cardholder Data, except as provided in this Section 6.2. Bank may use the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy solely (i) for purposes of soliciting, marketing or servicing (in each case, solely as directed by the FDS Companies or the Operating Committee) customers listed in the Cardholder Data for FDS Credit Cards, Approved Ancillary Products, and any other products and services approved by the Operating Committee, (ii) as otherwise necessary to carry out its obligations or exercise its rights hereunder (including its rights to use such information as contemplated by Section 16.4), or (iii) as required by Applicable Law. Bank has no rights to use the Cardholder Data for marketing purposes except as expressly provided herein.

(d) Bank shall not disclose, or permit to be disclosed, the Cardholder Data, except as provided in this Section 6.2. Bank shall not, directly or indirectly, sell or otherwise transfer any right in or to the Cardholder Data other than to FDS or any of its Affiliates or to a Nominated Purchaser pursuant to Section 16.2. Bank may disclose the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy solely:

(i) to its authorized subcontractors in connection with a permitted use of such Cardholder Data under this Section 6.2, provided that each

such authorized subcontractor agrees

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in writing to maintain all such Cardholder Data as strictly confidential in perpetuity and not to use or disclose such information to any Person other than Bank or an FDS Company, except as required by Applicable Law or any Governmental Authority (after giving Bank and the FDS Companies prior notice and an opportunity to defend against such disclosure); provided, further, that each such authorized subcontractor maintains, and agrees in writing to maintain, an information security program that is designed to meet the objectives of the Guidelines, including, at a minimum, maintenance of an information security program that is designed to: (w) ensure the security and confidentiality of the Cardholder Data; (x) protect against any anticipated threats or hazards to the security or integrity of the Cardholder Data; (y) protect against unauthorized access to or modification, destruction, disclosure or use of the Cardholder Data; and (z) ensure the proper disposal of Cardholder Data; and provided, further, that each such authorized subcontractor agrees to notify promptly Bank and the FDS Companies of any unauthorized disclosure, use, or disposal of, or access to, Cardholder Data and to cooperate with Bank and the FDS Companies in any investigation thereof and remedial action with respect thereto;

(ii) to its Affiliates, and its and such Affiliates' employees, attorneys and accountants with a need to know such Cardholder Data in connection with a permitted use of such Cardholder Data under this Section 6.2; provided that (A) any such Person is bound by terms substantially similar to this Section 6.2 as a condition of employment or of access to Cardholder Data or by professional obligations imposing comparable terms; and (B) Bank shall be responsible for the compliance by each such Person with the terms of this Section 6.2; or

(iii) to any Governmental Authority with authority over Bank (A) in connection with an examination of Bank; or (B) pursuant to a specific requirement to provide such Cardholder Data by such Governmental Authority or pursuant to compulsory legal process; provided that Bank seeks the full protection of confidential treatment for any disclosed Cardholder Data to the extent available under Applicable Law governing such disclosure, and with respect to clause (B), to the extent permitted by Applicable Law, Bank (1) provides at least ten (10) Business Days' prior notice of such proposed disclosure to FDS if reasonably possible under the circumstances, and (2) seeks to redact the Cardholder Data to the fullest extent possible under Applicable Law governing such disclosure; or

(iv) to any consumer reporting agency in accordance with the federal Fair Credit Reporting Act.

(e) Subject to Applicable Law and the Program Privacy Policy, Bank shall transmit to the FDS Companies on a real-time basis throughout each day by a secure data feed into FDS Systems designated by FDS from time to time, in formats agreed to by the Parties in advance from time to time:

(i) for any customer who has applied for an FDS Credit Card, regardless of the marketing channel of such application: (A) the customer's name, address, email address, telephone number, social security number and all other information supplied on the application or prescreened response submitted by the customer; (B) an indication of whether or not the customer has been approved for an FDS Credit Card; and (C) if the customer has been approved for an FDS Credit Card, the FDS Credit Card issued (or to be issued) to such customer (i.e., specify the type of FDS Credit Card and the FDS Licensed Mark to be used on such FDS Credit Card);

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(ii) for each Cardholder, joint-Cardholder and authorized buyer, (A) such person's name, address, email address, telephone number, social security number and Account number; (B) any reported change to any of the foregoing information; (C) transaction and experience data; and (D) any such other Cardholder Data as the FDS Companies may reasonably request;

(iii) the Cardholder's name and account number for any Account that is delinquent;

(iv) the Cardholder's name and account number for any Account

that has been closed; and

(v) the Cardholder Data for all categories of information available on the FDS Companies' credit Systems as of the date hereof.

(f) Subject to Applicable Law and the Program Privacy Policy, Bank shall transmit by a secure data feed into FedCustomer (or other FDS Systems designated by FDS from time to time), in a format agreed to by the Parties, on an as billed basis, all information contained in the Billing Statements and all other Cardholder Data for all categories of information available on FedCustomer as of the date hereof (including, for each Cardholder, joint-Cardholder and authorized buyer, name, address, email address, telephone number, information as to creditworthiness and changes to any of the foregoing information).

(g) Bank shall reasonably cooperate with the FDS Companies to provide FDS and its Affiliates with the maximum ability permissible under Applicable Law and the Program Privacy Policy to receive, use and disclose the Cardholder Data, including, as reasonably necessary or appropriate, through use of consents, opt-in provisions or opt-out provisions, in each case as directed by the FDS Companies. Without limiting the foregoing, FDS and each of its Affiliates may receive, use and disclose the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy (i) for purposes of promoting the Program or promoting FDS Goods and Services, (ii) as otherwise necessary to carry out its obligations under this Agreement, and (iii) as otherwise permitted by Applicable Law.

(h) The FDS Companies may use the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy. Each of the FDS Companies may disclose the Cardholder Data in compliance with Applicable Law and the Program Privacy Policy solely:

(i) to its existing subcontractors as of the Effective Date and to authorized subcontractors that enter into agreements with an FDS Company after the Effective Date ("Future Subcontractors") in connection with a permitted use of such Cardholder Data under this Section 6.2, provided that each such Future Subcontractor agrees in writing to maintain all such Cardholder Data as strictly confidential in perpetuity and not to use or disclose such information to any Person other than an FDS Company or Bank, except as required by Applicable Law or any Governmental Authority (after giving the FDS Companies prior notice and an opportunity to defend against such disclosure); provided, further, that each such Future Subcontractor maintains, and agrees in writing to maintain, an information security program that is designed to

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meet the objectives of the Guidelines, including, at a minimum, maintenance of an information security program that is designed to: (w) ensure the security and confidentiality of the Cardholder Data; (x) protect against any anticipated threats or hazards to the security or integrity of the Cardholder Data; (y) protect against unauthorized access to or modification, destruction, disclosure or use of the Cardholder Data; and (z) ensure the proper disposal of Cardholder Data; and provided, further, that each such Future Subcontractor agrees to notify promptly Bank and the FDS Companies of any unauthorized disclosure, use, or disposal of, or access to, Cardholder Data and to cooperate with Bank and the FDS Companies in any investigation thereof and remedial action with respect thereto;

(ii) to its Affiliates, and its and such Affiliates' employees, attorneys and accountants with a need to know such Cardholder Data in connection with a permitted use of such Cardholder Data under this Section 6.2; provided that (A) any such Person is bound by terms substantially similar to this Section 6.2 as a condition of employment or of access to Cardholder Data or by professional obligations imposing comparable terms; and (B) the FDS Companies shall be responsible for the compliance by each such Person with the terms of this Section 6.2; or

(iii) to any Governmental Authority with authority over such FDS Company (A) in connection with an examination of such FDS Company; or (B) pursuant to a specific requirement to provide such Cardholder Data by such Governmental Authority or pursuant to compulsory legal process; provided that such FDS Company seeks the full protection of confidential treatment for any disclosed Cardholder Data to the extent available under Applicable Law governing such disclosure, and with respect to clause (B), to the extent permitted by

Applicable Law, such as FDS Company (1) provides at least ten (10) Business Days' prior notice of such proposed disclosure to Bank if reasonably possible under the circumstances, and (2) seeks to redact the Cardholder Data to the fullest extent possible under Applicable Law governing such disclosure.

(i) With respect to the sharing, use and disclosure of the Cardholder Data following the termination of this Agreement:

(i) the rights and obligations of the Parties under this Section 6.2 shall continue through any Termination Period;

(ii) if FDS exercises its rights under Section 16.2, Bank shall transfer its right, title and interest in the Cardholder Data to FDS or its Nominated Purchaser as part of such transaction, and Bank's right to use and disclose the Cardholder Data shall terminate upon the termination of the Termination Period; and

(iii) if FDS provides notice that it shall not exercise its rights under Section 16.2, FDS and its Affiliates' right to use and disclose the Cardholder Data hereunder shall terminate upon the termination of the Termination Period.

6.3 FDS Shopper Data; FDS Prospect List.

(a) Bank acknowledges that the FDS Companies gather information about purchasers of FDS Goods and Services and that FDS and its Affiliates have rights to use and disclose such

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information independent of whether such information also constitutes Cardholder Data. FDS acknowledges that Bank gathers information independent of the Program and that Bank and its Affiliates shall not be subject to any limitations in respect of their right to use and disclose such information notwithstanding that such information may be the same as any information included in the Cardholder Data or the FDS Shopper Data. Bank shall reasonably cooperate in the maintenance of the FDS Shopper Data and other data, including by incorporating in the Credit Card Application and Credit Card Agreement provisions mutually agreed to by the Parties pursuant to which applicants and Cardholders shall agree that they are providing their identifying information (including name, address, telephone number, email address and social security number) and all updates thereto to both Bank and FDS and its Affiliates. To the extent any Bank is the direct recipient of such data, it shall provide such data to the FDS Companies in such format and at such times as shall be agreed upon by the Operating Committee. As between the FDS Companies and Bank, all the FDS Shopper Data shall be owned exclusively by the FDS Companies. Bank acknowledges and agrees that it has no proprietary interest in the FDS Shopper Data.

(b) Subject to compliance with Applicable Law, FDS's privacy policies, the Marketing Plan and such criteria (including format) as may be mutually agreed to from time to time, the FDS Companies shall make available to Bank, free of charge, a list of customers of FDS and its Subsidiaries who the FDS Companies have determined are available to be solicited for Accounts under the Program (the "FDS Prospect List"). As between the FDS Companies and Bank, the FDS Prospect List shall be owned exclusively by the FDS Companies. Bank acknowledges it has no proprietary interest in the FDS Prospect List.

(c) Bank shall not use, or permit to be used, directly or indirectly, the FDS Shopper Data, except to transfer such data to the FDS Companies to the extent received by Bank. Bank shall not use, or permit to be used, the FDS Prospect List except as provided in this Section 6.3(c). Bank may use the FDS Prospect List in compliance with Applicable Law solely for purposes of soliciting customers listed in the FDS Prospect List for Accounts or as required by Applicable Law.

(d) Bank shall not disclose, or permit to be disclosed, the FDS Shopper Data or the FDS Prospect List, except as provided in this Section 6.3. Bank shall not, directly or indirectly, sell or otherwise transfer any right in or to the FDS Shopper Data or the FDS Prospect List (all such rights belonging exclusively to the FDS Companies). Bank may disclose the FDS Shopper Data and the FDS Prospect List in compliance with Applicable Law solely:

(i) to its authorized subcontractors in connection with a

permitted use of such FDS Shopper Data or FDS Prospect List under this Section 6.3, provided that each such authorized subcontractor agrees in writing to maintain all such FDS Shopper Data or FDS Prospect List as strictly confidential in perpetuity and not to use or disclose such information to any Person other than a Bank or an FDS Company, except as required by Applicable Law or any Governmental Authority (after giving Bank and the FDS Companies prior notice and an opportunity to defend against such disclosure); provided, further, that each such authorized subcontractor maintains, and agrees in writing to maintain, an information security program that is designed to meet the objectives of the Guidelines, including, at a minimum, maintenance of an information security program that is designed to: (w) ensure the security and confidentiality of

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the FDS Shopper Data and FDS Prospect List; (x) protect against any anticipated threats or hazards to the security or integrity of the FDS Shopper Data and FDS Prospect List; (y) protect against unauthorized access to or modification, destruction, disclosure or use of the FDS Shopper Data and FDS Prospect List; and (z) ensure the proper disposal of FDS Shopper Data and FDS Prospect List; and provided, further, that each such authorized subcontractor agrees to notify promptly Bank and the FDS Companies of any unauthorized disclosure, use, or disposal of, or access to, FDS Shopper Data or FDS Prospect List and to cooperate with Bank and the FDS Companies in any investigation thereof and remedial action with respect thereto;

(ii) to its Affiliates, and its and such Affiliates' employees, attorneys and accountants, with a need to know the FDS Shopper Data or FDS Prospect List in connection with a permitted use of the FDS Shopper Data or FDS Prospect List under this Section 6.3; provided that (A) any such Person is bound by terms substantially similar to this Section 6.3 as a condition of employment, of access to the FDS Shopper Data or FDS Prospect List or by professional obligations imposing comparable terms; and (B) Bank shall be responsible for the compliance by each such Person with the terms of this Section 6.3; or

(iii) to any Governmental Authority with authority over such Bank (A) in connection with an examination of such Bank; or (B) pursuant to a specific requirement to provide the FDS Shopper Data or FDS Prospect List by such Governmental Authority or pursuant to compulsory legal process; provided that Bank seeks the full protection of confidential treatment for any disclosed FDS Shopper Data or FDS Prospect List, as the case may be, to the extent available under Applicable Law governing such disclosure, and with respect to clause (B), to the extent permitted by Applicable Law, Bank (1) provides at least ten (10) Business Days' prior notice of such proposed disclosure to FDS if reasonably possible under the circumstances, and (2) seeks to redact the FDS Shopper Data or FDS Prospect List to the fullest extent possible under Applicable Law governing such disclosure.

(e) Upon the termination of this Agreement, Bank's right to use and disclose the FDS Shopper Data and FDS Prospect List shall terminate. Promptly following such termination, Bank shall return or destroy all the FDS Shopper Data and FDS Prospect Lists and shall certify such return or destruction to the FDS Companies upon request.

ARTICLE VII

OPERATING STANDARDS

7.1 Reports. Each of Bank and the FDS Servicer shall provide to the Operating Committee and the other Party such reports as are mutually agreed to by the Parties from time to time and on the time schedule for delivery of such reports as shall be agreed by the Parties prior to the Effective Date. Unless otherwise required by FDS, all such reports shall be prepared on a Fiscal-Year reporting basis; provided, however, that the FDS Companies shall cooperate with Bank to provide such supplemental reporting as is reasonably necessary to accommodate Bank's calendar-basis reporting needs.

7.2 Servicing; Interim Servicing; Transition of Services at the Election of the FDS Companies.

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(a) The FDS Companies shall perform the applicable servicing functions

referenced in Section 4.2 in accordance with the terms and conditions of this Agreement, including the SLAs set forth in Schedule 7.3 (as such standards may be amended from time to time by the Operating Committee). Bank shall perform the applicable servicing functions referenced in Section 4.3 in accordance with the terms and conditions of this Agreement, including the SLAs established with respect thereto in accordance with Section 7.3 hereof (as such standards may be amended from time to time by the Operating Committee). Without limiting the foregoing, each of the FDS Companies and Bank shall service the Accounts in compliance with Applicable Law and with no less care and diligence than the degree of care and diligence employed by the FDS Companies prior to the Effective Date.

(b) Commencing on the Effective Date and ending on such date or dates as the Parties shall mutually agree to transfer one or more of the Interim Services to Bank, the FDS Companies shall perform the Interim Services in accordance with the foregoing requirements and the requirements of Section 7.3. At any time after the Effective Date, Bank may, upon mutual agreement of the Parties, commence performing any or all of the Interim Services in accordance with an appropriate and agreed upon transition plan.

(c) At any time following the first anniversary of the Effective Date, upon not less than ninety (90) days' prior written notice by FDS (or one hundred eighty (180) days' prior written notice if the Systems Transition Date has not yet occurred at the time of such notice), the FDS Companies shall be entitled to elect to transfer substantially all of the services then being performed by the FDS Companies pursuant to Section 4.2(a) to Bank (any such transfer, a "Total Servicing Transfer") if the Parties have substantially completed reasonable joint transition planning prior to the giving of such notice (or an additional ninety (90) days notice if the Parties have not substantially completed such planning; provided that the Parties shall cooperate to complete such planning within such ninety (90) day period). Following such Total Servicing Transfer, Bank shall be obligated to provide all such services in accordance with the terms of this Agreement and the FDS Companies shall thereafter be relieved of all obligations under this Article VII. Notwithstanding the foregoing, Bank shall not be obligated to undertake a Total Servicing Transfer until the System Transition Date has occurred. Upon any such Total Servicing Transfer, the payments made pursuant to Article IX shall be adjusted as set forth therein to take account of such Total Servicing Transfer.

(d) Without limiting the foregoing provisions of this Section 7.2, upon mutual agreement of the Parties from time to time following the Effective Date, the Parties may agree to transfer services on an individual basis at such times and upon such terms as the Parties may agree (such transition time, with respect to each individual Interim Service, the "Services Transition Date").

7.3 Service Level Standards.

(a) Within fifteen (15) days after the end of each Fiscal Month, the FDS Companies shall report to Bank, in a mutually agreed upon format, the FDS Companies' performance under each of the SLAs set forth on Schedule 7.3 during such Fiscal Month (it being understood that the measurement period to determine compliance with any SLA may exceed one Fiscal Month).

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(b) The FDS Companies shall comply with SLAs set forth in Schedule 7.3; provided that that such SLAs shall be amended from time to time to establish new SLAs and modify existing SLAs, in each case, as deemed appropriate by and with the approval of the Operating Committee for any reason, including (i) completion of the System conversion described in Section 7.4(a); (ii) changes in the Program; (iii) changes in industry-wide performance expectations with respect to any SLA; and (iv) change in Applicable Law.

(c) Without limiting the foregoing, prior to transitioning any service to Bank in accordance with the terms of this Agreement, whether pursuant to (i) an election by the FDS Companies, (ii) the cessation of any interim service being performed by the FDS Companies pursuant to Section 7.2(b) or (iii) a termination of any service upon an SLA breach permitting such termination of service as set forth in Schedule 7.3, the Operating Committee shall establish SLAs to be performed by Bank with respect to such transferred service, which new SLAs shall be deemed automatically applicable to Bank with respect to Bank's performance of such transferred services and which new SLAs shall provide for at least the minimum SLA standards provided for in Schedule 7.3 with respect to such service

and/or such other higher SLA standards as are appropriate to reflect the service levels provided by Bank to other partner portfolios of a size, nature and customer base similar to the Program and consistent with current industry practices. Upon the transition of any service to Bank for which an SLA is applicable, Bank shall be obligated to deliver to the FDS Companies the reports described in Section 7.3 with respect to such SLAs within fifteen (15) days after the end of each Fiscal Month (and FDS's obligation to deliver such reports with respect to such services shall terminate).

(d) Notwithstanding anything to the contrary contained in Schedule 7.3, once a service is transferred to Bank pursuant to the terms of this Agreement, thereafter, the FDS Companies shall no longer be obligated to perform such services and shall not be obligated to assume responsibilities for such services for any reasons. Accordingly, upon the occurrence of any SLA failure by Bank that would have otherwise resulted in a requirement to transfer services to Bank had the FDS Companies been the Party providing such services, then, (i) the FDS Companies shall have the option to transition the service subject to the SLA failure from Bank back to the FDS Companies or an alternate service provider in accordance with Schedule 7.3 or (ii) if they elect not to transition such services, such SLA failure shall be deemed an Event of Default by Bank pursuant to Section 14.2(f) and FDS shall be entitled to exercise its termination rights pursuant to Section 15.2 in respect of such Event of Default.

(e) Each Party providing services hereunder shall maintain in effect during the Term a disaster recovery and business continuity plan that complies with Applicable Law and that is designed to ensure that Systems availability is consistent with the standards specified in Schedule 7.3. Each Party shall be prepared to and have the ability to implement such plan if necessary. Each Party shall provide the other with access to review such plan upon request. Each Party shall test its plan annually and shall promptly implement such plan upon the occurrence of a disaster or business interruption.

(f) Bank shall be excused from its failure to meet any applicable SLAs to the extent that such failure results from the FDS Systems or any acts or omissions of the FDS Companies. The FDS Companies shall be excused from their failure to meet any applicable SLAs to the extent that any such failure results from Bank's Systems or any acts or omissions of Bank.

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7.4 Credit Systems.

(a) Subject to clause (b) of this Section 7.4, the master file of Accounts and all other Cardholder Data and other Program credit data shall remain on the FDS Systems for a minimum of one year after the Effective Date. Bank and the FDS Companies shall work together (including through a subcommittee of the Operating Committee formed for this purpose) to develop a mutually agreeable Systems conversion plan designed to convert such data to Bank Systems. Subject to the satisfaction of each of the requirements set forth in Section 7.4(b), at such time, if any, when both FDS and Bank are satisfied with the terms of such conversion plan and have concluded that such conversion will further the Program Objectives and provide cost efficiencies and features and functionality superior to those available on the FDS Systems without an unacceptable level of Program disruption, such conversion shall be implemented (the date of any such conversion the "Systems Transition Date"). Bank shall bear its costs and expenses associated with the Systems conversion and such expenses shall not constitute Program Expenses. Until the Systems Transition Date, FDS shall, in a manner consistent with FDS's historical practice (taking into account the magnitude and type of each of the following matters): (i) make modifications and changes to FDS Systems as necessary to comply with Applicable Law, the Risk Management Policies and/or the Operating Procedures, following appropriate consultation with Bank with respect to changes thereto; (ii) ensure that the features and functionality available on the FDS Systems as of the Effective Date are maintained in a manner consistent with historical levels, and (iii) ensure that the technology associated with the FDS Systems (including hardware platforms, operations systems and software licenses) is sufficient to support the operation of the Program as contemplated by the terms of this Agreement.

(b) The Parties acknowledge and agree that no Systems conversion shall occur pursuant to Section 7.4(a) in absence of satisfaction of each of the following requirements:

(i) Bank shall ensure that all features and functionality

available on the FDS Systems prior to the Systems Transition Date (including data gathering, interface capabilities with the FDS Companies' other Systems, Loyalty Program support and core systems/customer service functionality) are available on Bank Systems as of the Systems Transition Date to the extent the FDS Systems are to be converted to Bank Systems;

(ii) all existing credit data feeds used by FDS or any of its Affiliates in connection with the Credit Card Business, FedCustomer or otherwise prior to the Effective Date shall have been replicated on Bank Systems prior to the Systems Transition Date;

(iii) Bank shall provide and Bank Systems shall support the Internet services set forth on Schedule 7.4(b);

(iv) without limiting the foregoing, Bank Systems shall interface with the FDS Systems that are not converted to Bank Systems in a manner reasonably acceptable to FDS;

(v) Bank shall have a disaster recovery and business continuity plan applicable to the Bank Systems as set forth in Section 7.3(d) and Bank shall be prepared to and have the ability to implement such plan if necessary; and

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(vi) Bank shall have identified and implemented all hardware and other Systems changes necessary to ensure that Bank Systems will be compatible with those FDS Systems that will interface with Bank Systems, including the POS Systems of FDS and its Affiliates.

(c) The FDS Companies shall have the right to perform testing to assure that Bank Systems have the features and functionality described in clauses (b)(i)-(vi) and any other features and functionality promised by Bank.

(d) Neither Party shall make any change to any of its Systems that would render them incompatible in any way with the other Party's or its Affiliates' Systems or require the other Party or its Affiliates (or the Retail Merchants) to make any change to any of their Systems (including any POS terminals) or reduce or restrict interfacing or System feeds, in any such case without the prior approval of the Operating Committee. Neither Party will make any change to its Systems with respect to the Program without prior notification to the Operating Committee if such change would reasonably be expected to materially impact the Program or the operation of any of the other Party's Systems, except to the extent such change is necessary in connection with the exercise by FDS or Bank of an FDS Matter or a Partner Matter, as applicable; provided further, that, without the prior approval of the Operating Committee, neither Party shall make any change to its Systems with respect to the Program during October, November or December. Bank shall cooperate to ensure that System changes are scheduled with due regard to FDS's retail sales calendar and in a manner designed to minimize disruption to peak sales periods.

(e) Prior to the Systems Transition Date, the Operating Committee shall agree on such modifications to the terms of this Agreement relating to the allocation of reporting obligations, settlement and chargeback procedures and other Systems-dependent obligations and procedures as are necessary to accurately reflect the transition of relevant services, capabilities and data access of the respective Parties following the System Transition Date.

7.5 Systems Interface; Technical Support.

(a) Required Interfaces. The FDS Companies and Bank shall identify, prior to the Effective Date, the Systems interfaces required to be sustained between the FDS Companies and Bank. The FDS Companies and Bank shall maintain such interfaces and cooperate in good faith with each other in connection with any modifications to such interfaces as may be requested by either Party from time to time. Each of the FDS Companies and Bank agrees to maintain at its own expense its respective Systems interfaces so that the operation of the Systems as a whole is at all times no less functional than prior to the Effective Date.

(b) Additional Interfaces; Interface Modifications. All requests for new interfaces, modifications to existing interfaces and terminations of existing interfaces shall be presented to the Operating Committee for approval. Upon approval, the Parties shall work in good faith to establish the requested

interfaces or modify or terminate the existing interfaces, as applicable, on a timely basis. Except as otherwise provided herein (including in Section 7.4), all costs and expenses with respect to any new interface or interface modification or termination shall be borne by the requesting Party unless otherwise determined by the Operating Committee.

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(c) Secure Protocols. The Parties shall use secure protocols for the transmission of data from Bank and its Affiliates, on the one hand, to FDS and its Affiliates, on the other hand, and vice versa.

ARTICLE VIII

MERCHANT SERVICES

8.1 Transmittal and Authorization of FDS Charge Transaction Data.

FDS shall, and shall cause its Subsidiaries and Licensees (such Subsidiaries and Licensees, together with FDS, the "Retail Merchants") to, accept the FDS Credit Cards for FDS Transactions. The Retail Merchants shall transmit FDS Charge Transaction Data for authorization of FDS Transactions as provided in the Operating Procedures. The FDS Transactions shall be authorized or declined on a real time basis as provided in the Operating Procedures, including transactions involving split-tender (i.e., a portion of the total transaction amount is billed to an FDS Credit Card and the remainder is paid through one or more other forms of payment), transactions over the phone, on-line or hand keyed, as applicable, or down-payments on FDS Goods and Services for later delivery. If any Retail Merchant is unable to obtain authorizations for FDS Transactions for any reason, such Retail Merchant may complete such FDS Transactions without receipt of further authorization as provided in the Operating Procedures.

8.2 POS Terminals. The Retail Merchants shall maintain POS terminals capable of processing FDS Credit Card and Account transactions as handled as of the Effective Date. To the extent that the Retail Merchants are required to make changes to any POS terminal (including hardware and software) in order to process FDS Transactions and transmit FDS Charge Transaction Data under this Agreement as a result of any System conversion contemplated by Section 7.4 or any other change or modification to any Bank System or a new Bank System approved by the Operating Committee, each Party shall pay its respective costs and expenses associated with such changes.

8.3 In-Store Payments. The Retail Merchants may accept In-Store Payments from Cardholders on their Accounts in accordance with the Operating Procedures. The Retail Merchants shall, as necessary, provide proper endorsements on such items. Bank hereby grants to each of the FDS Companies and the Retail Merchants a limited power of attorney (coupled with an interest) to sign and endorse Bank's name upon any form of payment that may have been issued in Bank's name in respect of any Account. The FDS Companies and Bank shall jointly develop procedures in the Operating Procedures with respect to the manner in which such In-Store Payments shall be processed (it being understood that such procedures shall provide for immediate credit toward the applicable open-to-buy limits of the respective Account upon receipt of an In-Store Payment). The FDS Companies, on behalf of the Retail Merchants, shall notify Bank upon receipt of In-Store Payments and Bank shall include the FDS Charge Transaction Data related to such In-Store Payments in the net settlement in respect of the day immediately following such receipt on the same basis as other FDS Charge Transaction Data. The Retail Merchants shall issue receipts for such payments in compliance with Applicable Law.

8.4 Settlement Procedures.

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(a) The Retail Merchants shall transmit FDS Charge Transaction Data (including FDS Charge Transaction Data arising in connection with sales by Licensees) to Bank in accordance with the Operating Procedures on each day that the Retail Merchant is open for business. If FDS Charge Transaction Data is received by Bank's processing center before 11:00 A.M. (Eastern time) on any Business Day on which Bank is open for business, Bank shall process the FDS Charge Transaction Data and initiate a wire transfer of the payment in respect thereof before 1:00 P.M. (Eastern time) on the same Business Day.

(b) Bank shall remit to FDS, for itself and the Retail Merchants, an

amount equal to the total amount of charges identified in all FDS Charge Transaction Data not yet paid in accordance with Section 8.4(a) less the sum of (i) the total amount of any credits included in such FDS Charge Transaction Data, plus (ii) the total amount of In-Store Payments (if any), plus (iii) any amounts charged back to such Retail Merchants pursuant to Section 8.5. The total amount of charges reflected in the FDS Charge Transaction Data shall include the amount of all Cardholder and employee discount(s) such that upon daily settlement of such FDS Charge Transaction Data in accordance with Section 8.4(c), Bank shall pay FDS the price of the FDS Goods and Services without giving effect to such discount(s). FDS shall reimburse Bank for the amount of such discounts on a monthly basis as set forth in Section 8.4(d).

(c) If any FDS Charge Transaction Data is not received by Bank's processing center before 11:00 A.M. (Eastern time) on any Business Day on which such processing center is open for business as a result of any circumstance other than a willful failure of the Retail Merchant to send such data (e.g., Systems failure or communication outage), which circumstance the Retail Merchant shall use reasonable efforts to remedy, Bank shall initiate a wire transfer (each such transfer, an "Estimated Remittance") by 3:00 P.M. (Eastern time) on the same Business Day of Bank's good faith estimate of the amount that should be transferred to FDS for itself and the Retail Merchants in accordance with Section 8.4(a) as if such failure had not occurred. Bank's good faith estimate shall be based on FDS's then most recent projections of Net Credit Sales and shall take into account, among other things, holidays and seasonal and other sales fluctuations. The Estimated Remittance shall be deducted from any remittance in respect of applicable FDS Charge Transaction Data when transmitted and processed pursuant to this Section 8.4 (and to the extent necessary thereafter to fully reconcile such Estimated Remittance, other FDS Charge Transaction Data).

(d) Not more than five (5) days after the end of each Fiscal Month, the FDS Servicer shall deliver or cause to be delivered to Bank a report for such preceding Fiscal Month of all discount(s) reflected in the FDS Charge Transaction Data and paid for by Bank in such preceding Fiscal Month (and, in the case of FDS Charge Transaction Data for a credit to an Account, all reversals of discounts reflected in the credits included in such FDS Charge Transaction Data). The net amount of discounts paid by Bank with respect to such discounts during such Fiscal Month, as reflected on such report (after deducting any discounts reversed in respect of FDS Goods and Services for which a credit was issued), shall be paid by the FDS Companies to Bank within three (3) Business Days of such report.

(e) FDS shall be responsible for allocating remittances under this Section 8.4 among all the Retail Merchants as appropriate and Bank shall have no responsibility or liability in

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connection therewith (it being agreed that Bank has no obligation to make remittances to, any person other than FDS).

8.5 Bank's Right to Charge Back.

(a) Right to Charge Back. Bank shall have the right to charge back to FDS the Cardholder Indebtedness (including Cardholder Indebtedness incurred prior to the Effective Date with respect to Purchased Accounts) reflected in FDS Charge Transaction Data only to the extent such charge back is expressly permitted in clauses (i) through (iv) below.

(i) Merchandise Adjustments. If a Cardholder requests an adjustment based on the quality or delivery of FDS Goods and Services, the Cardholder request for adjustment shall be promptly communicated to FACS on behalf of the relevant Retail Merchant. FACS shall honor the customer service policies and determinations of the Retail Merchant. Amounts shall only be charged back to the extent FACS authorizes the applicable charge back of Cardholder Indebtedness.

(ii) Fraudulent Charges. If a charge arose from fraud of any employee or agent of a Retail Merchant, the amount of any Cardholder Indebtedness with respect to such charge may be charged back to FDS, on behalf of the relevant Retail Merchant.

(iii) Certain Transactions. Any transactions in the FDS

Channels with respect to which appropriate authorizations were not obtained in accordance with the Operating Procedures may be charged back to FDS.

(iv) Cardholder Fraud. Any transactions that arose in any FDS Channel from fraud in respect of a Private Label Account may be charged back to FDS.

(b) Exercise of Chargeback. If Bank exercises its right of chargeback, Bank may set off all amounts charged back against any sums due to the FDS Companies under this Agreement, or Bank may demand payment from FDS for the full amount of such chargeback. In the event of a chargeback pursuant to this Article VIII, upon payment in full of the related amount by FDS, Bank shall immediately assign to FDS or the relevant Retail Merchant, without any representation, warranty or recourse, all right to payments of amounts charged back in connection with such Cardholder charge. Bank shall cooperate fully in any effort by the FDS Companies to collect the chargeback amount, including by executing and delivering any document necessary or useful to such collection efforts.

(c) General Purpose Account Fraud. All fraud losses in respect of General Purpose Accounts shall be at Bank's expense (and shall be deemed Program Expenses).

8.6 No Processing Fees.

(a) None of FDS, its Affiliates or the Retail Merchants shall charge any Credit Card surcharge, application, processing or other Program related fee to Cardholders.

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(b) None of FDS, its Affiliates or the Retail Merchants shall be required to pay any Merchant Discount on any FDS Transaction. Bank shall process FDS Transactions such that the Retail Merchants do not incur any merchant acquirer/processor or similar fees.

ARTICLE IX

PROGRAM ECONOMICS

9.1 Bank's Responsibility for Program Operation. Except as otherwise expressly specified in this Agreement, Bank shall be responsible for the costs of operating the Program. Except as expressly contemplated by the Budget approved by the Operating Committee or as otherwise expressly provided for in this Agreement, Bank shall not incur costs that would be deemed Program Expenses unless otherwise approved by the Operating Committee.

9.2 Settlement Statements.

(a) Within thirty (30) days after the end of each Fiscal Month other than the last Fiscal Month of each Fiscal Quarter, FDS Bank shall deliver to Bank a statement including all information set forth on Schedule 9.2(a). Each such statement shall be known as a "Monthly Settlement Sheet." (b) Within thirty (30) days after the end of each Fiscal Quarter other than the last Fiscal Quarter of each Fiscal Year, FDS Bank shall deliver to Bank a statement including all information set forth on Schedule 9.2(b). Each such statement shall be known as a "Quarterly Settlement Sheet."

(c) Within thirty (30) days after the end of each Fiscal Year, FDS Bank shall deliver to Bank a statement including all information set forth on Schedule 9.2(c). Each such statement shall be known as a "Year-End Settlement Sheet".

9.3 FDS Compensation.

(a) Payments. Not later than 10 A.M. (Eastern time) on the fifth (5th) Business Day after the receipt of each Monthly Settlement Sheet, Quarterly Settlement Sheet or Year-End Settlement Sheet, as applicable, Bank shall pay to FDS Bank the amounts determined in accordance with Schedule 9.3(a). Such amounts shall be paid to FDS Bank regardless of whether any amounts are disputed by Bank. Each Party may invoke the dispute resolution procedures set forth herein in connection with any dispute relating to any payment of the amounts set forth in the applicable settlement sheet.

(b) Form of Payment. All payments pursuant to this Section 9.3 shall be made by wire transfer of immediately available funds to an account designated in writing by FDS Bank unless otherwise agreed upon by the Parties in writing.

(c) Card Association Compensation. FDS Bank shall be entitled to all amounts (other than Interchange Fees) paid to Bank by the Card Association pursuant to the Visa-Branded Federated Department Stores Co-Branded Card Program Agreement, dated as of October 22, 2002, between FDS Bank and the Card Association (as amended, renewed or otherwise

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modified, the "Card Association Contract"). Bank shall use its commercially reasonable efforts to ensure that the Card Association Contract remains in full force and effect in accordance with its terms following the Effective Date, and Bank shall not agree to any early termination of the Card Association Contract or to any amendment or modification thereof that would reduce the amount payable to FDS Bank pursuant thereto and this Section 9.3(c). Bank shall use its commercially reasonable efforts to cause the Card Association Contract to be extended, renewed or replaced by the Card Association at the end of its term with a replacement contract having economic terms that are (i) the most favorable economic terms reasonably available to Bank and (ii) no less favorable than the terms in effect under the Card Association Contract on the date hereof. Any contract resulting from any such extension, renewal or replacement shall also be deemed the Card Association Contract and shall be subject to all of the terms of this Section 9.3(c). All amounts payable pursuant to this Section 9.3(c) shall be payable as set forth in Section 9.3(a). The Parties acknowledge and agree that (i) in exercising its commercially reasonable efforts hereunder, Bank shall not be obligated to pay any fee or other amount to the Card Association or to any other Person unless FDS Bank agrees to reimburse the Bank for the full amount thereof in connection therewith and (ii) Bank shall not agree to pay any such fee or other amount unless FDS Bank shall have consented thereto in writing.

9.4 Budgeting.

(a) The Budget for the Fiscal Year ending January 28, 2006 is attached hereto as Schedule 9.4(a). At least ninety (90) days before the beginning of each subsequent Fiscal Year, the Managers will jointly submit a proposed annual Budget for such Fiscal Year to the Operating Committee. Each Budget shall be based on reasonable estimates of each line item therein based upon the Business Plan, the Marketing Plan and other information regarding actual historical and estimated future expenses of the Program and the Parties. Each Party shall promptly provide information reasonably requested by the Operating Committee in connection with the review and approval of any Budget.

(b) The Operating Committee shall review the proposed Budget and approve the annual Budget in accordance with Section 3.2. The Operating Committee shall also review the Budget at least semi-annually and may elect to approve modifications to the forecasts contained in the Budget (and/or approve a semi-annual Budget) from time to time.

(c) Within thirty (30) days after the end of each Fiscal Year, the FDS Servicer shall provide a report to Bank indicating the actual income and expenses of the Program compared to the applicable Budget. Unless otherwise approved by the Operating Committee, to the extent any actual expenses incurred in the prior Fiscal Year in respect of any expense category (including all line items in such expense category) set forth in Schedule 9.4(c) exceed one hundred ten percent (110%) of the amount budgeted therefor in the approved Budget for such Fiscal Year, the following shall apply:

(i) with respect to each expense category where such an excess exists, if such expense category is an expense category with respect to which the FDS Companies are responsible (as set forth in Schedule 9.4(c)) and are entitled to payment or reimbursement in accordance with this Agreement disregarding this Section 9.4(c), the FDS Companies shall make a payment to Bank in an amount equal to the excess, if any, of (A) the aggregate of all monthly

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amounts paid or reimbursed to the FDS Companies in respect of such expense category for the relevant Fiscal Year over (B) the amount to which the FDS Companies would have been entitled had the actual amount of the expenses in such

expense category not exceeded the amount budgeted therefor; and

(ii) annual Pre-Tax Profit shall be recalculated by the FDS Servicer; provided that for purposes of such recalculation, for each expense category as to which there is an excess of the type referred to in the first paragraph of this Section 9.4(c), the budgeted amount for such expense category shall be substituted for the amount that would have been recorded for such expense category based on actual results. Bank shall pay to the FDS Companies an amount equal to the excess, if any, of (A) the FDS Profit Share to which the FDS Companies would have been entitled for such Fiscal Year had the actual Pre-Tax Profit for such Fiscal Year been equal to the Pre-Tax Profit as recalculated in accordance with this Section 9.4(c)(ii) over (B) the aggregate amount actually paid to the FDS Companies in respect of the FDS Profit Share for all months in such Fiscal Year.

(d) All amounts payable pursuant to Section 9.4(c) shall be reflected in the Year-End Settlement Sheet and paid to the Party(ies) entitled thereto in connection with the settlement of the amounts reflected therein.

ARTICLE X

INTELLECTUAL PROPERTY

10.1 The FDS Licensed Marks.

(a) Grant of License to Use the FDS Licensed Marks. Subject to the terms and conditions of this Agreement, FDS hereby grants to Bank a non-exclusive, royalty-free, non-transferable right and license to use the FDS Licensed Marks (i) with respect to the Program in the United States in connection with the creation, establishment, marketing and administration of, and the provision of services related to, the Program and (ii) in connection with any sale permitted by this Agreement of the Accounts and Cardholder Indebtedness to third parties for liquidation. All use of the FDS Licensed Marks shall be in accordance with this Agreement and any Trademark Style Guide delivered by FDS to Bank from time to time (which FDS shall so deliver). All uses of the FDS Licensed Marks shall require the prior written approval of FDS. To the extent Bank delegates any of its rights or obligations hereunder to any authorized Affiliate and/or authorized third party in accordance with the terms and conditions of this Agreement, Bank may sublicense its rights in the FDS Licensed Marks hereunder to such authorized Person; provided that such Person shall agree to comply with all of the terms and conditions of the use of the FDS Licensed Marks hereunder and Bank shall remain liable for such Person's failure to so comply. Except as expressly set forth in this Section 10.1, the rights granted pursuant to this Section 10.1 are solely for use of Bank and may not be sublicensed without the prior written approval of FDS.

(b) New FDS Marks. If FDS or any of its Subsidiaries adopts a trademark, service mark or other source indicator that is a successor to an FDS Licensed Mark or that FDS has otherwise elected to use in connection with the Program but which is not listed on Schedule

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1.1(e) hereto (a "New FDS Mark"), Bank may request that FDS add such New FDS Mark to Schedule 1.1(e) hereto and license its use hereunder; FDS shall not unreasonably fail to do so (for the avoidance of doubt and without limitation, it is reasonable for FDS to withhold consent if the New FDS Mark is not a successor to an FDS Licensed Mark or is not used in connection with its retail operations), and upon FDS's written approval of the addition of such New FDS Mark, such New FDS Mark shall be deemed added to Schedule 1.1(e). In the event that FDS does not license any New FDS Mark to Bank, such New FDS Mark shall be deemed to be an FDS Licensed Mark solely for purposes of Section 2.2.

(c) Termination of License. Except to the extent otherwise provided in Section 16.4, the license granted in this Section 10.1 shall terminate upon the termination or expiration of this Agreement or, if the purchase option under Section 16.2 is exercised, the Program Purchase Date. Upon termination of the license granted in this Section 10.1, all rights in the FDS Licensed Marks granted hereunder shall revert to FDS and Bank shall (and shall cause its authorized Affiliates, authorized third parties and permitted sublicensees to): (i) discontinue all use of the FDS Licensed Marks, or any of them, and any colorable imitation thereof; and (ii) destroy all unused FDS Credit Cards, Credit Card Applications, Account Documentation, Solicitation Materials,

periodic statements, materials, displays, advertising and sales literature and any other items bearing any of the FDS Licensed Marks; provided that if the purchase option under Section 16.2 is exercised, at FDS's election, such items shall constitute Program Assets and will be transferred and delivered to FDS or its Nominated Purchaser pursuant to Section 16.2.

(d) Ownership of the FDS Licensed Marks. Bank acknowledges that (i) the FDS Licensed Marks, all rights therein, and the goodwill associated therewith, are, and shall remain, the exclusive property of FDS and its Affiliates, (ii) it shall take no action which shall adversely affect the exclusive ownership of FDS and its Affiliates in the FDS Licensed Marks, or the goodwill associated with the FDS Licensed Marks (it being understood that the collection of Accounts, adverse action letters, and changes in terms of Accounts as required by Applicable Law do not adversely affect goodwill, if done in accordance with the terms of this Agreement), and (iii) any and all goodwill arising from use of the FDS Licensed Marks by Bank shall inure to the benefit of FDS. Nothing herein shall give Bank any proprietary interest in or to the FDS Licensed Marks, except the right to use the FDS Licensed Marks in accordance with this Agreement, and Bank shall not contest FDS's title in and to the FDS Licensed Marks. FDS shall prosecute and maintain the FDS Licensed Marks at FDS's cost and expense and in its sole discretion.

(e) Infringement by Third Parties. Bank shall use reasonable efforts to notify FDS, in writing, promptly upon acquiring Knowledge of any infringing use of any of the FDS Licensed Marks by any third party. If any of the FDS Licensed Marks is infringed, FDS alone has the right, in its sole discretion, to take whatever action it deems necessary to prevent such infringing use; provided, however, that if FDS fails to take reasonable steps to prevent infringement of the FDS Licensed Marks by any department store retailer and such infringement has an adverse effect upon the Program or the rights of Bank hereunder, Bank may request that FDS take action necessary to alleviate such adverse impact. Bank shall reasonably cooperate with and assist FDS, at FDS's expense, in the prosecution of those actions that FDS determines, in its sole discretion, are necessary or desirable to prevent the infringing use of any of the FDS Licensed Marks.

10.2 Bank Licensed Marks.

(a) Grant of License to Use Bank Licensed Marks. Subject to the terms and conditions of this Agreement, Bank hereby grants to the FDS Companies a non-exclusive, royalty-free, non-transferable right and license to use Bank Licensed Marks in the United States in connection with the creation, establishment, marketing and administration of, and the provision of services related to, the Program. All use of Bank Licensed Marks shall be in accordance with this Agreement and any Trademark Style Guide delivered by Bank to FDS from time to time (which Bank shall so deliver). All uses of Bank Licensed Marks shall require the prior written approval of Bank. To the extent the FDS Companies delegate any of their rights or obligations hereunder to any authorized Affiliate and/or authorized third party in accordance with the terms and conditions of this Agreement, the FDS Companies may sublicense their rights in Bank Licensed Marks hereunder to such authorized Person; provided that such Person shall agree to comply with all of the terms and conditions of the use of Bank Licensed Marks hereunder and the FDS Companies shall remain liable for such Person's failure to so comply. Except as expressly set forth in this Section 10.2, the rights granted pursuant to this Section 10.2 are solely for use of the FDS Companies and may not be sublicensed without the prior written approval of Bank.

(b) New Bank Marks. If Bank adopts a trademark, service mark or other source indicator for use in connection with its Credit Card business or any related businesses that is not listed on Schedule 1.1(b) hereto (for purposes of this Section 10.2, a "New Bank Mark"), FDS may request that Bank add such New Bank Mark to Schedule 1.1(b) hereto and license its use hereunder; and if the Operating Committee (which shall decide on behalf of Bank) so agrees, such New Bank Mark shall be deemed added to Schedule 1.1(b) (provided that notwithstanding any agreement of the Operating Committee, any New Bank Mark that is a successor to a Bank Licensed Mark shall be deemed to be licensed as a Bank Licensed Mark hereunder and added to Schedule 1.1(b)).

(c) Termination of License. The license granted in this Section 10.2 shall terminate upon the termination or expiration of this Agreement or, if the

purchase option under Section 16.2 is exercised, six (6) months after the Program Purchase Date. Upon the termination of the license granted in this Section 10.2, all rights in Bank Licensed Marks granted hereunder shall revert to Bank and the FDS Companies shall (and shall cause their authorized Affiliates, authorized third parties and permitted sublicensees to): (i) discontinue all use of Bank Licensed Marks, or any of them, and any colorable imitation thereof; and (ii) destroy all unused FDS Credit Cards, Credit Card Applications, Account Documentation, Solicitation Materials, periodic statements, materials, displays, advertising and sales literature and any other items, in each case, bearing any of Bank Licensed Marks.

(d) Ownership of Bank Licensed Marks. Each of the FDS Companies acknowledges that (i) Bank Licensed Marks, all rights therein, and the goodwill associated therewith, are, and shall remain, the exclusive property of Bank, (ii) it shall take no action which shall adversely affect Bank's exclusive ownership of Bank Licensed Marks or the goodwill associated with Bank Licensed Marks, and (iii) any and all goodwill arising from use of Bank Licensed Marks by the FDS Companies shall inure to the benefit of Bank. Nothing herein shall give the FDS Companies any proprietary interest in or to Bank Licensed Marks, except the right to use Bank

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Licensed Marks in accordance with this Agreement, and the FDS Companies shall not contest Bank's title in and to Bank Licensed Marks. Bank shall prosecute and maintain the Bank Licensed Marks at Bank's cost and expense and in its sole discretion.

(e) Infringement by Third Parties. Each of the FDS Companies shall use reasonable efforts to notify Bank, in writing, promptly upon acquiring Knowledge of any infringing use of any Bank Licensed Marks by any third party. If any Bank Licensed Mark is infringed, Bank alone has the right, in its sole discretion, to take whatever action it deems necessary to prevent such infringing use; provided, however, that if Bank fails to take reasonable steps to prevent infringement of any Bank Licensed Marks by any credit provider and such infringement has an adverse effect upon the Program or the rights of the FDS Companies hereunder, the FDS Companies may request that Bank take action necessary to alleviate such adverse impact. The FDS Companies shall reasonably cooperate with and assist Bank, at Bank's expense, in the prosecution of those actions that Bank determines, in its sole discretion, are necessary or desirable to prevent the infringing use of any Bank Licensed Marks.

10.3 Intellectual Property.

(a) Each Party shall continue to own all of its Intellectual Property that existed as of the Effective Date. Each Party also shall own all right, title and interest in the Intellectual Property it develops or creates independently of the other Party during the Term.

(b) Except to the extent the Parties enter into a separate agreement (or addendum to this Agreement) with respect to the development, creation, use and their respective rights in any Joint IP, each Party shall have the right to use, license and otherwise exploit Joint IP without any restriction or obligation to account to the other Party; provided, however, that no such Joint IP shall be used by Bank in connection with any Credit Card or other credit program or other arrangement with any retailer (including any retailer listed on Schedule 2.5) without the prior written consent of FDS. "Joint IP" means any Intellectual Property developed or created in connection with the Program that is deemed to be jointly owned by Bank, on the one hand, and any of the FDS Companies, on the other hand, pursuant to this Section 10.3. Patents and patentable inventions shall be deemed to be owned jointly, as between the Parties only if the respective personnel of each Party are deemed co-inventors under the patent law. Software and other works of authorship and associated copyrights shall be deemed to be jointly owned only if the Parties are deemed co-authors or co-owners of such software or other work of authorship under the copyright law or otherwise. Any other Intellectual Property developed by a substantially equal investment of time, human, intellectual and financial resources by each Party during the Term of this Agreement shall be owned jointly by the Parties; provided that any such Intellectual Property constituting a trademark, service mark or other source indicator, shall be owned exclusively by FDS and may become a "New FDS Mark" pursuant to Section 10.1(b) (for the avoidance of doubt, Bank shall own all right, title and interest in any trademark, service mark or other source indicator it develops or creates independently of the FDS Companies during the

Term). To the extent that a work created by one Party is based on or incorporates Intellectual Property of the other Party, but the Parties are not joint owners as set forth above, then one Party shall be the sole owner of the Intellectual Property in the underlying work and the other Party shall be the sole owner of the Intellectual Property in the new work. By way of example and not of limitation, a Party shall not be a joint owner of any Intellectual Property in any marketing

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materials to the extent its contribution thereto consists solely of review, approval or modification of such materials to ensure compliance with Applicable Law or Credit Card Documentation.

(c) During and after the Term of this Agreement, each Party shall use, license or otherwise exploit (or permit others to do so) any Joint IP solely at its own risk. Each Party hereby disclaims all representations and warranties, either express or implied, including any warranties of title, non-infringement, validity, value, reliability, merchantability or fitness for a particular purpose, with respect to any Joint IP and its use, licensing or exploitation by the other Party. The term "Program Assets" includes all of Bank's right, title and interest in and to any Joint IP used by Bank solely in connection with the Program (but not any liabilities arising out of or relating to Bank's use of such Joint IP). Any information or data provided by or on behalf of one Party to the other Party remains, as between the Parties, the sole property of the providing Party, and if applicable, shall be considered "Confidential Information" under Article XIII. Ownership of Cardholder Data, FDS Shopper Data and FDS Prospect List shall not be governed by this Section 10.3(b). The provisions of Section 10.3 shall survive any expiration or termination of this Agreement.

ARTICLE XI

REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 General Representations and Warranties of FDS. Except as Previously Disclosed, FDS makes the following representations and warranties to Bank as of the date hereof and as of the Effective Date:

(a) Corporate Existence. Each FDS Company: (i) is a corporation (or, in the case of FDS Bank, a federally chartered stock savings bank) duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of its business or the activities in which it is engaged makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the FDS Companies' ability to perform their obligations hereunder; and (iii) has all necessary licenses, permits, consents or approvals from or by, and has made all necessary filings and registrations with, all governmental authorities having jurisdiction, to the extent required for the ownership, lease or conduct and operation of its business, except to the extent that the failure to obtain such licenses, permits, consents or approvals or to make such filings or registrations would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Program.

(b) Capacity; Authorization; Validity. Each FDS Company has all necessary corporate or similar power and authority to (i) execute and enter into this Agreement and (ii) perform the obligations required of such FDS Company hereunder and the other documents, instruments and agreements relating to the Program and this Agreement executed by such FDS Company pursuant hereto. The execution and delivery by the FDS Companies of this Agreement and all documents, instruments and agreements executed and delivered by the FDS Companies pursuant hereto, and the consummation by the FDS Companies of the transactions specified herein, have been duly and validly authorized and approved by all necessary corporate

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or similar actions of the FDS Companies. This Agreement (i) has been duly executed and delivered by the FDS Companies, (ii) constitutes the valid and legally binding obligation of the FDS Companies, and (iii) is enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency,

reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(c) Conflicts; Defaults; Etc. The execution, delivery and performance of this Agreement by each of the FDS Companies, compliance by each of them with the terms hereof, and consummation by each of them of the transactions specified herein will not (i) conflict with, violate, result in the breach of, constitute an event which would, or with the lapse of time or action by a third party or both would, result in a default under, or accelerate the performance required by, the terms of any contract, instrument or agreement to which FDS or any of its Subsidiaries is a party or by which they are bound, or to which any of the assets of FDS or any of its Subsidiaries are subject; (ii) conflict with or violate the articles of incorporation or by-laws, or any other equivalent organizational document(s), of the FDS Companies; (iii) breach or violate any Applicable Law, Applicable Order or the by-laws or other membership or operating rules of the Card Association, in each case, applicable to the FDS Companies; (iv) require the consent or approval of any other party to any contract, instrument or commitment to which any FDS Company is a party or by which it is bound; or (v) require any filing with, notice to, consent or approval of, or any other action to be taken with respect to, any Governmental Authority, except, in the cases of clauses (i), (iv) and (v), for such conflicts, breaches, defaults, violations or failures to obtain such consents or approvals or make or obtain such filings, notices, consents and approvals as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program and, except in the case of clause (iii), for any immaterial breach or violation of any such Applicable Law, Applicable Order, by-law or rules.

(d) No Litigation. No action, claim, litigation, proceeding, arbitration or investigation is pending or, to the Knowledge of FDS, threatened against FDS or any of its Subsidiaries, at law, in equity or otherwise, by or before any Governmental Authority, to which FDS or any of its Subsidiaries is a party, which would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Program.

(e) The FDS Licensed Marks. FDS has the right, power and authority to grant the rights to use the FDS Licensed Marks expressly granted herein.

(f) Internal Controls Over Financial Reporting. FDS has implemented with respect to the Credit Card Business, "disclosure controls and procedures" and "internal control over financial reporting" (as defined in Rules 13a-15 and 15d-15 of the Exchange Act) reasonably designed to ensure that all information (both financial and non-financial) required to be disclosed by FDS with respect to the Credit Card Business in the reports that FDS files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that all such information is accumulated and communicated to FDS's management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the Chief Executive Officer and Chief Financial Officer of FDS required under the Exchange Act with respect to such reports.

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(g) Operating Procedures and Risk Management Policies. Except as set forth on Schedule 11.1(g), the initial Operating Procedures set forth in Schedule 4.1(b) and the initial Risk Management Policies set forth in Schedule 4.6(b) represent the operating procedures and risk management policies under which the FDS Companies have operated the Credit Card Business from January 1, 2005 until the date hereof. Except as set forth on Schedule 11.1(g), the FDS Companies have not made any material changes to such operating and risk management policies since January 1, 2005. The FDS Companies have achieved or exceeded the risk management targets specified in Schedule 4.6(c)(ii) in either the First Quarter of Fiscal Year 2005 or as otherwise specified in Schedule 4.6(c)(ii). The FDS Companies have achieved or exceeded the SLAs specified in Schedule 4.1(b) with respect to the services to be performed by Bank pursuant to Sections 4.3(a)(v) and (ix) since July 31, 2004.

11.2 General Representations and Warranties of Bank. Except as Previously Disclosed, Bank hereby makes the following representations and warranties to the FDS Companies as of the date hereof and as of the Effective Date:

(a) Corporate Existence. Bank (i) is duly organized, validly existing and in good standing under the federal laws of the United States and (ii) is duly licensed or qualified to do business and is in good standing as a foreign entity in all jurisdictions in which the conduct of the its business or the activities in which it is engaged, or proposes to engage pursuant to this Agreement, makes such licensing or qualification necessary, except to the extent that its non-compliance would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program. Bank has all necessary licenses, permits, consents or approvals from or by, and has made all necessary filings and registrations with, all governmental authorities having jurisdiction, to the extent required for the ownership, lease or conduct and operation of its business and the Credit Card Business pursuant to this Agreement, except to the extent that the failure to obtain such licenses, permits, consents or approvals or to make such filings or registrations would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program.

(b) Capacity; Authorization; Validity. Bank has all necessary corporate or similar power and authority to (i) execute and enter into this Agreement and (ii) perform the obligations required of it hereunder and the other documents, instruments and agreements relating to the Program and this Agreement executed by Bank pursuant hereto. The execution and delivery by Bank of this Agreement and all documents, instruments and agreements executed and delivered by Bank pursuant hereto, and the consummation by Bank of the transactions specified herein, has been duly and validly authorized and approved by all necessary corporate or similar actions of Bank. This Agreement (i) has been duly executed and delivered by Bank, (ii) constitutes the valid and legally binding obligation of Bank and (iii) is enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, receivership or other laws affecting the rights of creditors generally and by general equity principles including those respecting the availability of specific performance).

(c) Conflicts; Defaults; Etc. The execution, delivery and performance of this Agreement by Bank, compliance by it with the terms hereof, and consummation by it of the transactions specified herein will not (i) conflict with, violate, result in the breach of, constitute an event which would, or with the lapse of time or action by a third party or both would, result in

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a default under, or accelerate the performance required by, the terms of any contract, instrument or agreement to which Bank is a party or by which it is bound, or to which any of the assets of Bank is subject; (ii) conflict with or violate the articles of incorporation or by-laws, or any other equivalent organizational document(s), of Bank; (iii) breach or violate any Applicable Law, Applicable Order or the by-laws or other membership or operating rules of the Card Association, in each case, applicable to Bank; (iv) require the consent or approval of any other party to any contract, instrument or commitment to which any Bank is a party or by which it is bound; or (v) require any filing with, notice to, consent or approval of, or any other action to be taken with respect to, any Governmental Authority, except, in the cases of clauses (i), (iv) and (v), for such conflicts, breaches, defaults, violations or failures to obtain such consents or approvals or make or obtain such filings, notices, consents and approvals as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect upon the Program, and except, in the case of clause (iii), for any immaterial breach or violation of any such Applicable Law, Applicable Order, by-laws or rules.

(d) No Litigation. No action, claim, litigation, proceeding, arbitration or investigation is pending or, to the Knowledge of Bank, threatened against Bank or any of its Affiliates, at law, in equity or otherwise, by or before any Governmental Authority, to which Bank or any of its Affiliates is a party, which would reasonably be expected to, individually or in the aggregate, have a material adverse effect on the Program.

(e) Bank Licensed Marks. Bank or one or more of its Affiliates owns the Bank Licensed Marks and Bank has the right, power and authority to grant the rights to use Bank Licensed Marks expressly granted herein.

(f) FDIC Insurance. Bank's deposit accounts are insured by the FDIC to the fullest extent permitted by Applicable Law, and to Bank's Knowledge, no proceeding is contemplated to revoke such insurance.

(g) Card Associations. Bank is a member in good standing of the Card Association and has full authority under the by-laws and other membership and operating rules of the Card Association to issue the Co-Branded Credit Cards and otherwise perform its obligations under this Agreement.

11.3 General Covenants of the FDS Companies.

(a) Litigation. Each of the FDS Companies promptly shall notify Bank in writing if it receives written notice of any litigation that, if adversely determined, would reasonably be expected to have a material adverse effect on the Program, the Accounts in the aggregate or the FDS Companies' ability to perform their obligations hereunder.

(b) Reports and Notices. Each of the FDS Companies shall provide Bank with a facsimile notice specifying the nature of any FDS Event of Default, or any event which, with the giving of notice or passage of time or both, would constitute an FDS Event of Default, or any development or other information which is likely to have a material adverse effect on the Program, the Accounts, Cardholder Indebtedness or the FDS Companies' ability to perform their obligations pursuant to this Agreement. Notices pursuant to this Section 11.3(b) relating to the

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FDS Events of Default shall be provided within two (2) Business Days after any of the FDS Companies has Knowledge of the existence of such default. Notices relating to all other events or developments described in this Section 11.3(b) shall be provided (i) promptly after any of the FDS Companies has Knowledge of the existence of such event or development if such event or development has already occurred, and (ii) with respect to events or developments that have yet to occur, as early as reasonably practicable under the circumstances. Any notice provided under this section shall be confirmed in writing to Bank within five (5) Business Days after the transmission of the initial notice.

(c) Applicable Law/Operating Procedures. The FDS Companies shall at all times during the Term comply in all material respects with Applicable Law affecting their obligations under this Agreement and the Operating Procedures.

(d) Disputes with Cardholders. The FDS Companies shall reasonably cooperate with Bank in a timely manner (but in no event less promptly than required by Applicable Law) to resolve all disputes with Cardholders.

(e) Books and Records. Prior to the Systems Transition Date, the FDS Companies shall keep adequate records and books of account with respect to the Accounts and Cardholder Indebtedness in which proper entries, reflecting all of the FDS Companies' transactions relating to the Program are made in accordance with the terms of this Agreement. The FDS Companies shall keep adequate records and books of account with respect to their activities relating to the Program, in which proper entries reflecting all of the FDS Companies' transactions are made in accordance with the terms of this Agreement. All of the records, files and books of account of the FDS Companies relating to the Program shall be in all material respects complete and correct and shall be maintained in accordance with good business practice and Applicable Law.

11.4 General Covenants of Bank.

(a) Litigation. Bank promptly shall notify FDS in writing if it receives written notice of any litigation that, if adversely determined, would reasonably be expected to have a material adverse effect on the Program, the Accounts in the aggregate or Bank's ability to perform its obligations hereunder.

(b) Reports and Notices. Bank shall provide FDS with a facsimile notice specifying the nature of any Bank Event of Default, or any event which, with the giving of notice or passage of time or both, would constitute a Bank Event of Default, or any development or other information which is likely to have a material adverse effect on the Program, the Accounts or Bank's ability to perform its obligations pursuant to this Agreement. Notice pursuant to this Section 11.4(b) relating to Bank Events of Default shall be provided within two (2) Business Days after Bank has Knowledge of the existence of such default. Notices relating to all other events or developments described in this Section 11.4(b) shall be provided (i) promptly after Bank obtains Knowledge of the existence of such event or development if such event or development has already occurred, and (ii) with respect to events or developments that have yet to

occur, as early as reasonably practicable under the circumstances. Any notice produced under this section shall be confirmed in writing to the FDS Companies within five (5) Business Days after transmission of the initial notice.

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(c) Applicable Law/Operating Procedures. Bank shall at all times during the Term comply in all material respects with Applicable Law affecting its obligations under this Agreement and the Operating Procedures. Bank shall at all times during the Term maintain its federal bank charter.

(d) Books and Records. Bank shall keep adequate records and books of account with respect to the Accounts and Cardholder Indebtedness in which proper entries, reflecting all of Bank's financial transactions relating to the Program, are made in accordance with the terms of this Agreement. Bank shall keep adequate records and books of account with respect to their activities relating to the Program, in which proper entries reflecting all of Bank's financial transactions are made in accordance with the terms of this Agreement. All of Bank's records, files and books of account relating to the Program shall be in all material respects complete and correct and shall be maintained in accordance with good business practice and Applicable Law.

(e) FDIC Insurance. Bank's deposit accounts shall be insured by the FDIC to the fullest extent permitted by Applicable Law throughout the Term. (f) Card Association. Bank and, from and after the Effective Date, any assignee thereof shall be members in good standing of the Card Association throughout the Term.

(g) Special Conditions. In the event that any Special Condition applicable to Bank or any of its Affiliates results in any of such Parties being required to incur costs to ensure that the Program remains in compliance with Applicable Law, such incremental costs shall be paid for or reimbursed by Bank and shall not be deemed to be Program Expenses or otherwise reduce Pre-tax Profit. "Special Condition" means any Applicable Order or any other requirement of Applicable Law affecting the operation of the Program by Bank and its Affiliates, other than any such Applicable Order or requirement of general application that similarly affects other Credit Card Banks that are national banks or federally-chartered savings associations.

ARTICLE XII

ACCESS, AUDIT AND DISPUTE RESOLUTION

12.1 Access Rights. Each Party shall permit the other Party and its representatives and regulators to visit its facilities related to the Program during normal business hours with reasonable advance notice and at times and in a manner that does not unreasonably disrupt its normal business operations. Each Party shall also permit the other Party and its representatives and regulators to review (during normal business hours) and obtain copies of the books and records relating to the Program; provided that neither Party shall be required to provide access to records to the extent that (a) such access is prohibited by Applicable Law, (b) such records are legally privileged, (c) such records relate to other customers of, or credit programs operated by, Bank (or its Affiliates) or the FDS Companies, or (d) such access would unreasonably disrupt its normal business operations.

12.2 Audit Rights. Either Party may, from time to time during the Term, at its sole cost and expense and upon ten (10) days' prior notice to the other Party, conduct an audit of (i) the financial and operational records that are under the control and/or direction of the other Party

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and relate to the Program or can be reasonably segregated; and/or (ii) the operations of the other Party to ensure such Party's compliance with its obligations under this Agreement; provided, however, that any such audit shall only be permitted at times and in a manner that does not unreasonably interfere with the other Party's normal business operations, including that any such audit shall be conducted during normal business hours in accordance with generally accepted auditing standards and the auditing Party shall employ such reasonable procedures and methods as necessary and appropriate in the circumstances, minimizing interference with the audited Party's normal business operations. The audited Party shall use reasonable efforts to facilitate the auditing Party's review, including making reasonably available such personnel of the audited

Party, its Affiliates and its service providers to assist the auditing Party, its representatives and its regulators as reasonably requested. The audited Party shall deliver any document or instrument necessary for the audited Party to obtain such records from any Person maintaining records for the audited Party and shall maintain records pursuant to its regular record retention policies. For purposes of this provision, to the extent reasonably practicable, the audited Party also shall be required to provide records relating to the Program held by Persons performing services in connection with the Program at the auditing Party's request. Notwithstanding the generality of the foregoing, the audited Party shall not be required to provide access to records to the extent that (a) such access is prohibited by Applicable Law, (b) such records are legally privileged, or (c) such records relate to other customers of, or credit programs operated by, the audited Party.

12.3 Dispute Resolution. Any dispute among the Parties arising out of or relating to this Agreement, including with respect to the interpretation of any provision of this Agreement and with respect to the performance by Bank or the FDS Companies hereunder shall be resolved as provided in this Section 12.3; provided, however, that this provision shall not limit either Party's right to seek any provisional or other remedy, including, without limitation, specific performance or injunctive relief from any court of competent jurisdiction, as may be necessary, in the aggrieved Party's sole discretion, to protect its rights under this Agreement. This Section 12.3 does not apply to disputes among the Operating Committee members with respect to decisions expressly allocated to the Operating Committee pursuant to this Agreement (other than matters submitted to the Operating Committee pursuant to the dispute resolution procedure referred to in Section 12.3(a)(i)(B)). Such disputes shall be resolved in accordance with Section 3.2.

(a) Informal Dispute Resolution.

(i) Prior to the initiation of formal dispute resolution procedures, the Parties shall first attempt to resolve their dispute informally, as follows:

(A) Operating Committee. Upon the written request of either Party containing a short statement as to the nature of the dispute and the requesting Party's position with respect thereto, the Operating Committee shall meet for the purpose of negotiating in good faith to seek resolution of such dispute.

(B) Executive Committee. If, after a period of five (5) Business Days, the Operating Committee is unable to resolve the dispute to the satisfaction of the FDS Companies and Bank, the dispute shall be brought before the Executive

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Committee, the members of which shall in good faith seek resolution of such dispute.

(C) Appointment of Representatives. If, after a period of five (5) Business Days, the Executive Committee is unable to resolve the dispute to the satisfaction of both the FDS Companies and Bank, such unresolved matter shall be referred to the President of Citi Cards and the President of FDS's retail business, whose task it will be to meet for the purpose of negotiating in good faith to seek resolution of the dispute.

With respect to clauses (A), (B) and (C) above, the location, format, frequency, duration and conclusion of these discussions shall be left to the discretion of the Operating Committee, Executive Committee and representatives, respectively. With respect to clause (C) above, upon agreement, the representatives may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations.

With respect to clauses (A), (B) and (C) above, discussions, documents and correspondence exchanged among the representatives, or submitted to the Operating Committee or the Executive Committee for purposes of these negotiations, shall be treated as confidential information developed for purposes of settlement, exempt from discovery and production, which shall not be admissible in the arbitration described below or in any lawsuit

without the concurrence of the Parties. Documents identified in or provided with such communications, which were not prepared for the purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in evidence in the arbitration or lawsuit.

(ii) Formal proceedings for the resolution of the dispute pursuant to Section 12.3(b) shall not be commenced until the earlier of:

(A) either of the designated representatives concludes in good faith that amicable resolution through continued negotiation of the dispute does not appear likely and so states in a notice to the other designated representative or in a joint declaration signed by each of them; or

(B) twenty (20) Business Days after the appointment of designated representatives pursuant to Section 12.3(a)(i)(C) above (it being understood that this period shall be deemed to run notwithstanding any claim that the process described in this Section 12.3 was not followed or completed).

(iii) This Section 12.3 shall not be construed to prevent a Party from instituting, and a Party is authorized to institute, formal proceedings earlier than provided in clause (ii) above, to avoid the expiration of any applicable limitations period, to preserve a superior position with respect to other creditors, or as provided in Section 12.3(c).

(b) Arbitration. If the Parties are unable to resolve a dispute as provided in Section 12.3(a), then the Parties may agree that such dispute be submitted to mandatory and binding arbitration. Where the Parties have agreed to arbitrate a specific matter after it has arisen, the following conditions will apply:

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(i) Agreement to Arbitrate. Provided the Parties specifically agree (in their sole discretion) in writing signed by their authorized representatives specifically referencing this Section 12.3(b) to submit to arbitration for the dispute described in such writing, such dispute, claim or controversy relating in any way to this Agreement shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the AAA. No damages excluded by or in excess of any damage limitations set forth in this Agreement shall be awarded. The arbitrator is prohibited from awarding punitive damages. If such arbitration is agreed to, notwithstanding the then current specified Commercial Arbitration Rules of the AAA, the terms of this Agreement, including the terms set forth in this Section 12.3(b), shall supersede any AAA rule in conflict herewith. In addition, the arbitrator, in deciding all matters and in fashioning an appropriate remedy or relief, shall be bound to apply the substantive laws of the State of Delaware. In no event may any demand for arbitration be made on any date on or after which the institution of legal or equitable proceedings based on the applicable dispute would be barred by the applicable statute of limitations or by any provision of this Agreement.

(ii) Selection of Arbitrator. The Disputing Party shall notify the AAA and the other Party in writing and shall request that the AAA furnish a list of five (5) possible arbitrators who shall have substantial experience in the substantive area of the dispute. Each Party shall have fifteen (15) days to reject two (2) of the proposed arbitrators. If only one individual has not been so rejected, he or she shall serve as arbitrator; if two or more individuals have not been so rejected, unless the Parties have agreed on one of such individuals to be the arbitrator, the AAA shall select the arbitrator from those individuals.

(iii) Conduct of Arbitration. Discovery shall be controlled by the arbitrator and shall be permitted to the extent deemed by the Parties and the arbitrator to be reasonable in the circumstances. Examples of the types of discovery that may be permitted include:

(A) interrogatories,

(B) demands to produce documents,

(C) requests for admission, and

(D) depositions of a reasonable number of knowledgeable fact witnesses.

The arbitration hearing shall be commenced within sixty (60) days of the demand for arbitration. The arbitrator shall control the scheduling so as to process the matter expeditiously. The Parties may submit written briefs. The times specified in this Section may be extended upon mutual agreement of the Parties or by the arbitrator upon a showing of good cause.

(iv) Replacement of Arbitrator. Should the arbitrator refuse or be unable to proceed with arbitration proceedings as called for by this Section 12.3(b), such arbitrator shall be replaced by an arbitrator selected by mutual agreement of the Parties or, failing such agreement, by the AAA from the other four (4) arbitrators originally proposed by the AAA and not rejected by the Parties, if any, or if there are no remaining proposed arbitrators who have not been rejected, by repeating the process of selection described in Section 12.3(b)(ii) above. If an

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arbitrator is replaced pursuant to this Section 12.3(b)(iv), then a rehearing shall take place in accordance with the provisions of this Section 12.3(b).

(v) Findings and Conclusions. The arbitrator rendering judgment upon disputes between the Parties as provided in this Section 12.3(b) shall, after reaching judgment and award, prepare and distribute to the Parties within thirty (30) days after the close of hearings, or as soon thereafter as is practicable in the circumstances, a writing describing the findings of fact and conclusions of law relevant to such judgment and award and containing an opinion setting forth the reasons for the giving or denial of any award. The award of the arbitrator shall be final and binding on the Parties, and judgment thereon may be entered in any court of competent jurisdiction.

(vi) Place of Arbitration Hearings. The arbitration shall be held at a mutually agreed upon location or a neutral location determined by the arbitrator if the Parties do not agree.

(vii) Fees. Each Party shall bear its own costs of these procedures. A Party seeking discovery shall reimburse the responding Party the costs of production of documents (to include search time and reproduction costs). The Parties shall equally split the fees of the arbitration cost, the court reporter's transcript, and the arbitrator.

(viii) Confidentiality. The Parties, their representatives and participants and the arbitrator shall hold the existence, content and result of the arbitration in confidence, except to the limited extent necessary to enforce a final settlement agreement or to obtain or enforce a judgment on an arbitration decision and award.

(c) Litigation.

(i) Immediate Injunctive Relief. If a Party makes a good faith determination that a breach of the terms of this Agreement by the other Party is such that a temporary restraining order or other injunctive relief is the only appropriate and adequate remedy, such Party shall be authorized to seek immediate injunctive relief without regard to Section 12.3(a) or 12.3(b). If a Party files a pleading with a court seeking immediate injunctive relief and such pleading is challenged by the other Party and the injunctive relief sought is not awarded in substantial part, the Party filing such pleading shall pay all of the costs and attorneys' fees of the Party successfully challenging the pleading.

(ii) Litigation in Lieu of Arbitration. So long as no arbitration proceeding has been commenced by one Party and accepted by the other Party as provided in Section 12.3(b)(i), after the dispute resolution procedures set forth in Section 12.3(a) or either of the events set forth in Section 12.3(a)(ii) has occurred, either Party shall be authorized to initiate litigation in order to resolve the dispute.

(d) Continued Performance. Subject to Articles XV and XVI, each Party agrees to continue performing its obligations under this Agreement while any dispute is being resolved except to the extent the issue in dispute precludes performance (it being understood and agreed by the Parties that a dispute over

payment shall not be deemed to preclude performance).

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ARTICLE XIII

CONFIDENTIALITY

13.1 General Confidentiality.

(a) For purposes of this Agreement, "Confidential Information" means any of the following: (i) information that is provided by or on behalf of the FDS Companies, on the one hand, or Bank, on the other hand, to the other Party or its agents in connection with the Program (including information provided prior to the date hereof or the Effective Date); (ii) information about the FDS Companies or Bank or their Affiliates, or their respective businesses or employees, that is otherwise obtained by the other Party in connection with the Program, in each case including: (A) information concerning marketing plans, objectives and financial results; (B) information regarding business systems, methods, processes, financing data, programs, products and Value Proposition terms and features and tests thereof; (C) information unrelated to the Program obtained by the FDS Companies or Bank in connection with this Agreement, including by accessing or being present at the business location of the other Party; and (D) proprietary technical information, including source codes; (iii) the terms and conditions of this Agreement; and (iv) the Marketing Plan. The provisions of this Article XIII governing Confidential Information shall not govern Cardholder Data, FDS Shopper Data or FDS Prospect List, which shall be governed by the provisions of Article VI.

(b) The restrictions on disclosure of Confidential Information under this Article XIII shall not apply to information received or obtained by the FDS Companies or Bank, as the case may be, that: (i) is or becomes generally available to the public other than as a result of disclosure in breach of this Agreement or any other confidentiality obligations; (ii) is lawfully received on a non-confidential basis from a third party authorized to disclose such information without restriction and without breach of this Agreement; (iii) is contained in, or is capable of being discovered through examination of, publicly available records or products; (iv) is required to be disclosed by Applicable Law (but only to the extent of such required disclosure); provided that the Party subject to such Applicable Law shall use reasonable efforts to avoid such disclosure and notify the other Party of any such use or requirement prior to disclosure of any Confidential Information obtained from the other Party in order to afford such other Party an opportunity to seek a protective order to prevent or limit disclosure of the Confidential Information to third parties; provided, further, that such information shall be disclosed only to the extent required by such Applicable Law and shall otherwise remain Confidential Information; or (v) is developed by the FDS Companies or Bank, as the case may be, without the use of any proprietary, non-public information provided by the other Party under this Agreement. Nothing herein shall be construed to permit the Receiving Party (as defined below) to disclose to any third party any Confidential Information that the Receiving Party is required to keep confidential under Applicable Law.

(c) The terms and conditions of this Agreement, the Business Plan, the Marketing Plan and the Budget shall each be the Confidential Information of the FDS Companies and Bank, and each of the Parties to this Agreement shall be deemed to be a Receiving Party of each of them.

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(d) If the FDS Companies, on the one hand, or Bank, on the other hand, receive Confidential Information of the other Party ("Receiving Party"), the Receiving Party shall do the following with respect to the Confidential Information of the other Party ("Disclosing Party"): (i) keep the Confidential Information of the Disclosing Party secure and confidential; (ii) treat all Confidential Information of the Disclosing Party with the same degree of care as it accords its own Confidential Information, but in no event less than a reasonable degree of care; and (iii) implement and maintain commercially reasonable physical, electronic, administrative and procedural security measures, including commercially reasonable authentication, access controls, virus protection and intrusion detection practices and procedures.

(e) Upon reasonable request, the FDS Companies and Bank shall have the right to review the other Party's information security standards and shall notify the other Party prior to materially modifying such procedures.

13.2 Use and Disclosure of Confidential Information.

(a) Each Receiving Party shall use and disclose the Confidential Information of the Disclosing Party only for the purpose of performing its obligations or enforcing its rights with respect to the Program or as otherwise expressly permitted by this Agreement, and shall not accumulate in any way or make use of such Confidential Information for any other purpose.

(b) Each Receiving Party shall: (i) limit access to the Disclosing Party's Confidential Information to those employees, authorized agents, vendors, consultants, service providers, accountants, advisors and subcontractors who have a reasonable need to access such Confidential Information in connection with the Program, the sale of Program Assets or other assets of FDS and its Affiliates or the establishment of a new Credit Card or other program or arrangement for an FDS Company, in each case in accordance with the terms of this Agreement, and (ii) ensure that any Person with access to the Disclosing Party's Confidential Information agrees to be bound by confidentiality provisions consistent with the provisions of this Article XIII.

13.3 Unauthorized Use or Disclosure of Confidential Information.

Each Receiving Party agrees that any unauthorized use or disclosure of Confidential Information of the Disclosing Party might cause immediate and irreparable harm to the Disclosing Party for which money damages might not constitute an adequate remedy. In that event, the Receiving Party agrees that injunctive relief may be warranted in addition to any other remedies the Disclosing Party may have. In addition, the Receiving Party agrees promptly to advise the Disclosing Party by telephone and in writing via facsimile of any security breach that may have compromised any Confidential Information or of any unauthorized misappropriation, disclosure or use by any Person of the Confidential Information of the Disclosing Party which may come to its attention, and to take all steps at its own expense reasonably requested by the Disclosing Party to limit, stop or otherwise remedy such breach, misappropriation, disclosure or use.

13.4 Return or Destruction of Confidential Information. Upon the termination or expiration of this Agreement, the Receiving Party shall comply with the Disclosing Party's reasonable instructions regarding the disposition of the Disclosing Party's Confidential Information, which may include return of any and all the Disclosing Party's Confidential Information (including any electronic or paper copies, reproductions, extracts or summaries

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thereof); provided, however, that the Receiving Party in possession of tangible property containing the Disclosing Party's Confidential Information may retain one archived copy of such material, subject to the terms of this Agreement, which may be used solely for regulatory purposes and may not be used for any other purpose. Such compliance shall be certified in writing, including a statement that no copies of Confidential Information have been kept, except as necessary for regulatory purposes.

ARTICLE XIV

EVENTS OF DEFAULT; RIGHTS AND REMEDIES

14.1 Events of Default. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an Event of Default by a Party hereunder:

(a) Such Party shall fail to make a payment of any material amount due and payable pursuant to this Agreement (other than the settlement of amounts due in respect of FDS Charge Transaction Data) and such failure shall remain unremedied for a period of five (5) Business Days after the non-defaulting Party shall have given written notice thereof.

(b) Such Party shall fail to perform, satisfy or comply with any obligation, condition, covenant or other provision contained in this Agreement (other than failure to comply with any SLAs), and such failure shall remain unremedied for a period of thirty (30) days after the other Party shall have

given written notice thereof specifying the nature of such failure in reasonable detail; provided that such failure shall not constitute an Event of Default if either (i) the defaulting Party shall have initiated and diligently pursued a cure within such time and such cure is completed within sixty (60) days from the date of written notice regarding such failure or (ii) such failure has not had and would not reasonably be expected to have, a material adverse effect on the licensed marks of the non-defaulting Party, and has not had, and would not reasonably be expected to have, a material adverse impact on the Program or the non-defaulting Party.

(c) Any representation or warranty by such Party contained in this Agreement shall not be true and correct in any respect as of the date when made, and the Party making such representation or warranty shall fail to cure the event giving rise to such breach within thirty (30) days after the other Party shall have given written notice thereof specifying the nature of such breach in reasonable detail; provided that such breach shall not constitute an Event of Default if either (i) the defaulting Party shall have initiated and diligently pursued a cure within such time and such cure is completed within sixty (60) days from the date of written notice regarding such breach or (ii) such breach has not had, and would not reasonably be expected to have, a material adverse effect on the licensed marks of the non-defaulting Party, and has not had, and would not reasonably be expected to have, a material adverse impact on the Program or the non-defaulting Party.

14.2 Defaults by Bank. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an Event of Default by Bank hereunder:

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(a) Bank fails to settle FDS Charge Transaction Data and make payment in full therefor within twenty-four (24) hours of the time that such settlement payment is due pursuant to Section 8.4.

(b) CEBA Bank or Citibank, N.A. shall no longer be solvent or shall fail generally to pay its debts as they become due or there shall be a substantial cessation of the regular course of business of CEBA Bank or Citibank, N.A..

(c) The FDIC or any other regulatory authority having jurisdiction over CEBA Bank or Citibank, N.A. shall order the appointment of a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of such entity or of any substantial part of its properties, or order the winding-up or liquidation of the affairs of such entity, and such order shall not be vacated, discharged, stayed or bonded within sixty (60) days from the date of entry thereof.

(d) CEBA Bank or Citibank, N.A. shall (i) consent to the institution of proceedings specified in paragraph (c) above or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of such entity or of any substantial part of its properties, or (ii) take corporate or similar action in furtherance of any such action.

(e) During the Term, Bank Parent's senior unsecured debt rating falls to or below BBB+ according to Standard and Poor's rating system or to or below Baa1 according to Moody's Investors' Service rating system, or any such debt rating is withdrawn.

(f) Bank shall fail to meet one or more SLAs expressly giving rise to the right to terminate hereunder.

14.3 Defaults by the FDS Companies. The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an Event of Default by the FDS Companies hereunder:

(a) FDS or the Equity Holder shall no longer be solvent or shall fail generally to pay its debts as they become due or there shall be a substantial cessation of FDS's regular course of business.

(b) A petition under the U.S. Bankruptcy Code or similar law shall be filed against FDS and not be dismissed within ninety (90) days.

(c) A decree or order by a court having jurisdiction (i) for relief in

respect of FDS pursuant to Bankruptcy Code or any other applicable bankruptcy or other similar law, (ii) for appointment of a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of FDS or of any substantial part of its properties, or (iii) ordering the winding-up or liquidation of the affairs of FDS shall, in any such case be entered, and shall not be vacated, discharged, stayed or bonded within ninety (90) days from the date of entry thereof.

(d) FDS shall (i) file a petition seeking relief pursuant to the Bankruptcy Code or any other applicable bankruptcy or other similar law, (ii) consent to the institution of proceedings

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pursuant thereto or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of FDS or any substantial part of its properties, or (iii) take corporate or similar action in furtherance of any such action.

14.4 Remedies for Events of Default. In addition to any other rights or remedies available to the Parties at law or in equity, upon the occurrence of an Event of Default pursuant to Section 14.1, 14.2 or 14.3, the non-defaulting Party shall be entitled to collect from the defaulting Party any amount indisputably in default plus interest based on the Federal Funds Rate.

ARTICLE XV

TERM/TERMINATION

15.1 Term. This Agreement shall continue in full force and effect for ten (10) years from the last to occur of the Second Closing Date or the Third Closing Date (the "Initial Term"). The Agreement shall renew automatically without further action of the Parties for a single three (3) year term (the "Renewal Term"), unless Bank provides written notice of termination at least one (1) year prior to the expiration of the Initial Term or an FDS Company provides written notice of termination at least six (6) months prior to the expiration of the Initial Term.

15.2 Termination by the FDS Companies Prior to the End of the Initial Term or Renewal Term. FDS, on behalf of the FDS Companies, may terminate this Agreement prior to the end of the Initial Term or the Renewal Term, upon written notice given not more than ninety (90) days after becoming aware of the occurrence of the relevant event set forth below, in the event of any of the following:

(a) after the occurrence of a Partner Event of Default;

(b) upon thirty (30) days' prior written notice if (i) there is a Change of Control of Bank Parent or (ii) one or more Persons that is not an Affiliate of Bank on the date of this Agreement acquires a direct or indirect controlling interest in Bank or any other Person conducting a substantial part of the Credit Card business conducted within the corporate group of Bank Parent or such corporate group otherwise disposes of or terminates a substantial part of such Credit Card business;

(c) upon thirty (30) days' prior written notice if there is a Change of Control of FDS if the other Party to such Change of Control transaction issues, offers or otherwise provides (either itself or through Affiliates) or is party to any contractual arrangement with any other Person to issue, offer or otherwise provide, any Credit Card in the United States;

(d) upon thirty (30) days' prior written notice if there is a change in Applicable Law and (i) such change would limit or otherwise restrict in any material respect the level of access and use by FDS and its Affiliates of the Cardholder Data as contemplated by this Agreement and (ii) the restrictions under Applicable Law on the level of access to or use of Cardholder Data by

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FDS and its Affiliates after giving effect to such change would be materially lessened if FDS and its Affiliates operated the Program themselves and/or with a Person other than Bank; provided, however, that prior to delivering a notice of

termination pursuant to this Section 15.2(d), FDS shall engage in good faith negotiations with Bank to modify the Program in a way that would preserve at least the same level of access and use of such data for the benefit of FDS and its Affiliates following the relevant change in Applicable Law as was permissible prior to the date of this Agreement, such negotiations not to terminate (in the absence of an agreement between the Parties on any modification) earlier than thirty (30) days after the earlier of (i) the date on which one of the Parties delivers a notice to the other that the relevant change in Applicable Law is likely to occur or (ii) the date on which the relevant change in Applicable Law takes effect; or

(e) upon termination of the Purchase Agreement by FDS pursuant to Section 10.2 or 10.3.

15.3 Termination by Bank Prior to the End of the Initial Term or Renewal Term. Bank may terminate this Agreement prior to the end of the Initial Term or the Renewal Term, upon written notice given not more than ninety (90) days after becoming aware of the occurrence of the relevant event set forth below, in the event of any of the following:

(a) after the occurrence of an FDS Event of Default;

(b) upon six months prior written notice following an Adverse Sales Development; or

(c) upon six months prior written notice following the consummation of a Change of Control of FDS if both (A) the other Party to such Change of Control issues, offers or otherwise provides (either itself or through Affiliates) or is party to any contractual arrangement with any other Person to issue, offer or otherwise provide, any Credit Card in the United States and (B) the Credit Card business of such other Party or such other contractual arrangement would have a material adverse effect on the Program.

15.4 Automatic Termination. Upon termination of the Purchase Agreement without the occurrence of the First Closing, this Agreement shall automatically terminate and shall be null and void.

ARTICLE XVI

EFFECTS OF TERMINATION

16.1 General Effects.

(a) All solicitations, marketing and advertising of the Program, other than acceptance of applications through the FDS Channels in the ordinary course of business consistent with past practice, shall cease upon the expiration or termination of this Agreement, except as the Parties may otherwise mutually agree; provided that the Parties shall continue to operate the Program in accordance with the terms of this Agreement and service the Accounts in good faith and in the ordinary course of their respective businesses, subject to the terms of this Agreement, until the provisions of Sections 16.2 and 16.3 are satisfied. The Parties shall cooperate to ensure the orderly wind-down or transfer of the Program.

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(b) Upon the satisfaction of the provisions of Section 16.2 and 16.3, all obligations of the Parties under this Agreement shall cease, except that the provisions specified in Section 18.25 shall survive.

16.2 The FDS Companies' Option to Purchase the Program Assets.

(a) If this Agreement expires or is terminated by either Party for whatever reason, FDS has the option to purchase, or arrange the purchase by a third party nominated by FDS (a "Nominated Purchaser"), of the Program Assets from Bank.

(b) The purchase option given by Section 16.2(a) is exercisable by FDS or the Nominated Purchaser serving notice on Bank no later than sixty (60) days after the receipt of the information with respect to the Program Assets required to be delivered by Bank pursuant to Section 16.2(e).

(c) If such purchase option is exercised, FDS or the Nominated Purchaser

must complete the purchase of the Program Assets within one hundred eighty (180) days after the notice has been given pursuant to Section 16.2(b); provided, however, that such time period shall be extended as necessary to obtain required regulatory approvals, rating agency consents, and to complete any interim or transition servicing obligation agreed to by FDS and Bank. The date of such completion shall be the "Program Purchase Date."

(d) In the event that FDS or the Nominated Purchaser exercises the purchase right, the purchase price shall be as follows:

(i) if the purchase right arises upon the expiration of the Initial Term or any Renewal Term, then such purchase price for the Program Assets shall be the Adjusted Fair Market Value of the Program Assets;

(ii) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(a), then such purchase price for the Program Assets shall be the lower of (A) Fair Market Value of the Program Assets (which may be less than the amount of Cardholder Indebtedness) and (B) the amount of Cardholder Indebtedness at the time of the purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program);

(iii) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(b) or 15.3(b), then such purchase price for the Program Assets shall be an amount equal to the sum of (A) the Fair Market Value of the Program Assets (which, for purposes of this clause (iii), shall not be less than Cardholder Indebtedness excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus (B) if the termination occurs prior to the third anniversary of the date hereof and after the System Transition Date, an amount equal to the aggregate amount of all out-of-pocket costs and expenses incurred by Bank in connection with the conversion of the Program to the Bank Systems pursuant to Section 7.4 (the "Conversion Costs");

(iv) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(c) or 15.3(a), then such purchase price for the Program Assets shall be

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an amount equal to the sum of (A) the Fair Market Value of the Program Assets (which, for purposes of this clause (iv) shall not be less than Cardholder Indebtedness excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)), plus (B) from and after the Third Closing Date, the amount set forth in Schedule 16.2(d)(iv), plus (C) if the termination occurs prior to the third anniversary of the date hereof and after the Systems Transition Date, an amount equal to the Conversion Costs; provided that in no event shall the sum of the amounts set forth in clauses (A) and (B) be less than the sum of Cardholder Indebtedness at the time of the purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus the Unamortized Premium;

(v) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(d), then such purchase price for the Program Assets shall be an amount equal to the sum of (A) the Fair Market Value of the Program Assets (which, for purposes of this clause (v), shall not be less than Cardholder Indebtedness excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus (B) if the termination occurs prior to the third anniversary of the date hereof and after the Systems Transition Date, an amount equal to the Conversion Costs; provided that in no event shall the amount set forth in clause (A) be less than the sum of Cardholder Indebtedness at the time of the purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program)) plus the Unamortized Premium;

(vi) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.2(e), then such purchase price shall be equal to the sum of (A) Cardholder Indebtedness at the time of purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program) plus (B) any Premium and Additional Premium paid prior to such date plus (C) the excess, if any, of (i) the interest on such Premium and Additional Premium at a rate equal to the Federal Funds Rate

over (ii) the aggregate amount of Pre-Tax Profit (but reduced by the FDS Profit Share) generated pursuant to this Agreement during the period from the Effective Date to the date of such purchase, plus (D) the cost (which may be a negative amount) of unwinding the funding strategy Bank has implemented at the request of FDS and its Affiliates, unless FDS elects to assume such funding arrangement; and

(vii) if the purchase right arises as a result of a termination of this Agreement pursuant to Section 15.3(c), then such purchase price shall be equal to the sum of (A) Cardholder Indebtedness at the time of purchase excluding written-off Cardholder Indebtedness (in accordance with the write-off policies then applicable to the Program) plus (B) the Unamortized Premium.

Notwithstanding anything to the contrary contained in this Agreement, in the event of a purchase of Program Assets following a termination of this Agreement upon expiration of the Initial Term or Renewal Term, the purchase price payable for any Cardholder Indebtedness that was outstanding at the time of the First Closing Date, Second Closing Date or Third Closing Date, shall be the Fair Market Value of such Cardholder Indebtedness (without regard to the proviso contained in the definition thereof).

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(e) The Parties shall use commercially reasonable efforts to minimize transaction costs and Bank shall provide FDS and the Nominated Purchaser and their respective representatives reasonable access to the records and accounts relating to the Program Assets for the purpose of conducting due diligence investigations to determine whether they wish to purchase the Program Assets and shall provide as soon as reasonably practicable (but in no event more than fifteen (15) days) following a request therefor from FDS or its Nominated Purchaser a master file of the Accounts (which shall include data for at least the twelve (12) month period preceding the month in which the master file is requested and shall be updated every thirty (30) days); provided, however, that Bank shall be entitled to require any Nominated Purchaser to enter into customary confidentiality arrangements before providing it with such access. The Parties shall promptly negotiate in good faith and execute a purchase agreement for the Program Assets to be purchased, which shall contain terms and conditions substantially similar to those in the Purchase Agreement (if applicable) (and, if FDS or the Nominated Purchaser elects to purchase the outstanding equity securities of CEBA Bank that are not owned by FDS or any of its Affiliates, terms and conditions customary for the sale of such an entity controlled by a third party). The Parties shall cooperate with one another in connection with the conversion of the Program Assets to the Systems of the FDS Companies or the Nominated Purchaser and Bank shall provide reasonable assistance to the FDS Companies or the Nominated Purchaser in connection with the conversion of the Program Assets, including the provision of interim services in accordance with the provisions of this Agreement until such conversion occurs. The Parties shall not unreasonably withhold or delay execution of such purchase agreement or any other documents necessary to effectuate such sale. The Parties shall use reasonable efforts to ensure that the Program Purchase Date occurs as promptly as reasonably practicable following the execution of such purchase agreement.

16.3 Dedicated Program Personnel. Upon termination or expiration of the Program for any reason and until the date that is ninety (90) days after Bank ceases to provide any services hereunder, FDS shall have the right to offer employment to employees and independent contractors of Bank and any of Bank's Affiliates that perform all or substantially all of their work for Bank or its Affiliates in connection with the Program. Bank shall cooperate with the FDS Companies in offering employment to such employees and independent contractors and transitioning such persons to the FDS Companies, including, subject to Applicable Law, providing reasonably requested information regarding such persons to the FDS Companies.

16.4 Rights of Bank if Purchase Option Not Exercised. If this Agreement expires or is terminated and FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or otherwise fails to exercise its option within the time period specified in Section 16.2, the FDS Companies shall have no further rights whatsoever in the Program Assets. In such event, the following provisions shall apply:

(a) Bank shall have the right at its sole discretion on or after the expiration or termination of this Agreement to:

(i) issue to Cardholders a replacement or substitute Credit Card (which card must not bear any FDS Licensed Marks or any other trademarks or source indicators confusingly similar thereto) with such characteristics as Bank considers appropriate and with the cost of card re-design and re-issue being borne by Bank; provided that the replacement or substitute Credit

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Card shall not be issued in cooperation with any business referred to in Schedule 2.5 in any MSA within which the FDS Companies are still operating stores; provided, further, that the FDS Companies shall be permitted to add an enclosure to the last two (2) Billing Statements (with respect to each of the Private Label Accounts and the General Purpose Accounts) to the effect that the Program has been terminated;

(ii) subject to Applicable Law, notify Cardholders that Bank shall cease providing credit under the Accounts and require repayment of all amounts outstanding on all Accounts until all associated receivables have been repaid;

(iii) sell the Accounts and associated receivables to a third party purchaser, other than a competitor of FDS and its Affiliates (which shall include those companies listed on Schedule 2.5), selected by Bank at a price agreed between Bank and the purchaser; or

(iv) any combination of (i), (ii) and (iii).

(b) If this Agreement expires or is terminated and FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or otherwise fails to exercise its option within the time period specified in Section 16.2, the FDS Companies shall provide reasonable assistance in connection with the conversion of any Program Assets resident on FDS Systems to Bank Systems, including provision of interim services in accordance with the provisions of this Agreement until such conversion occurs, which shall not be later than one hundred eighty (180) days after FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or after the time period for FDS to exercise such option shall have expired. The Parties shall bear their respective costs and expenses of any such conversion and the transitioning of services performed by the FDS Companies to Bank.

(c) Within sixty (60) days after FDS gives written notice that it shall not exercise its option referred to in Section 16.2 or after the time period for FDS to exercise such option shall have expired, Bank shall no longer use any of the FDS Licensed Marks (or any other trademarks or source indicators confusingly similar thereto) and must rebrand the FDS Credit Cards; provided that Bank may use the FDS Licensed Marks to communicate with Cardholders in connection with the billing and collection of Accounts and as otherwise required by Applicable Law for up to one hundred eighty (180) days after such written notice or expiration.

ARTICLE XVII

INDEMNIFICATION

17.1 FDS Indemnification of Bank. From and after the Effective Date, FDS shall indemnify and hold harmless Bank, its Affiliates, and its respective officers, directors and employees from and against and in respect of any and all losses, liabilities, damages (direct and indirect), costs and expenses of whatever nature, including reasonable attorneys' fees and expenses, which are caused or incurred by, result from, arise out of or relate to:

(a) any FDS Company's negligence or recklessness or willful misconduct (including acts and omissions) in performing its obligations under this Agreement;

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(b) any breach by an FDS Company of any of the terms, covenants, representations, warranties or other provisions contained in this Agreement; provided that a breach of any SLA set forth in Schedule 7.3 shall be subject to the remedies set forth in such Schedule;

(c) any actions or omissions of Bank taken or not taken at an FDS Company's written request or direction pursuant to this Agreement except where Bank would have been otherwise required to take such action (or refrain from acting) absent the request or direction of the FDS Companies;

(d) dishonest or fraudulent acts by an FDS Company, or any of its Affiliates, agents or employees, in connection with the Program (except to the extent charged back pursuant to Section 8.5);

(e) the sale of any FDS Goods and Services in an FDS Channel or any failure by the FDS Companies or their Affiliates to satisfy any of their obligations to third parties with respect to the sale by them to such third parties of FDS Goods and Services;

(f) any Solicitation Materials (i) distributed by an FDS Company and not approved by the Operating Committee or (ii) provided by Bank;

(g) any claim, suit or proceeding by any Governmental Authority or other third party arising out of the failure of FDS or any of its Affiliates to comply with Applicable Law in connection with the Program or the Operating Procedures, unless such failure was the result of any action taken or not taken by FDS or such Affiliate at the written request or direction of Bank or any of its Affiliates;

(h) the FDS Companies' Inserts or Billing Statement messages; and

(i) allegations by a third party that the use of the FDS Licensed Marks or the FDS Systems constitutes infringement, misappropriation, dilution or other violation of any Intellectual Property right of such third party.

17.2 Bank Indemnification of the FDS Companies. From and after the Effective Date, Bank shall indemnify and hold harmless the FDS Companies, their Affiliates and their respective officers, directors and employees from and against and in respect of any and all losses, liabilities, damages, costs and expenses of whatever nature, including reasonable attorneys' fees and expenses, which are caused or incurred by, result from, arise out of or relate to:

(a) Bank's negligence or recklessness or willful misconduct (including acts and omissions) in performing its obligations under this Agreement;

(b) any breach by Bank or any of its Affiliates, employees or agents of any of the terms, covenants, representations, warranties or other provisions contained in this Agreement or any Credit Card Agreement; provided that a breach of any SLA set forth in Schedule 7.3 shall be subject to the remedies set forth in such Schedule;

(c) any actions or omissions by any of the FDS Companies taken or not taken at the written request or direction of Bank or any of its Affiliates pursuant to this Agreement, except

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where the FDS Companies would have been otherwise required to take such action (or refrain from acting) absent such request or direction;

(d) dishonest or fraudulent acts by Bank, or any of its Affiliates, agents or employees, in connection with the Program;

(e) any failure by Bank or its Affiliates to satisfy any of their obligations to Cardholders with respect to the Program pursuant to the terms of the applicable Credit Card Agreements;

(f) any Account Documentation and Solicitation Materials approved by the Operating Committee and used by any of the FDS Companies in that form that fails to comply with Applicable Law;

(g) any claim, suit or proceeding by any third party (i) arising out of the failure of Bank or any of its Affiliates to comply with Applicable Law in connection with the Program unless such failure was the result of any action taken or not taken by Bank or such Affiliate at the specific written request or direction of the FDS Companies or (ii) to the extent arising out of the "Citigroup Privacy Promise for Consumers";

(h) Bank's Inserts or Billing Statement messages;

(i) allegations by a third party that the use of the Bank Licensed Marks or the Bank Systems constitutes infringement, misappropriation, dilution or other violation of any Intellectual Property right of such third party; and

(j) any capital or guarantee obligations of FDS Bank or its Affiliates with respect to the CEBA Bank required by law under Section 38 of the Federal Deposit Insurance Act.

17.3 Procedures.

(a) An Indemnified Party (as defined in Section 17.3(b)) shall promptly give the Indemnifying Party (as defined in Section 17.3(b)) notice of any matter (other than any third party claim, suit or action) upon determining that such matter has or may give rise to any right of indemnification pursuant to Article XVII hereof; provided that the failure by the Indemnified Party to give prompt notice of any such matter shall not limit the liability of the Indemnifying Party hereunder, except that this provision shall not be deemed to limit the Indemnifying Party's rights to recover from the Indemnified Party to the extent of any loss, cost or expense which it can establish resulted directly from such failure to give prompt notice.

(b) In case any third party claim is made, or any third party suit or action is commenced, against a Party (the "Indemnified Party"), the Indemnified Party shall promptly give the other Party (the "Indemnifying Party") notice thereof upon making a determination that such third party claim, suit or action may give rise to a right of indemnification under Article XVII hereof and the Indemnifying Party shall be entitled to participate in the defense thereof and, with prior written notice to the Indemnified Party given not later than twenty (20) days after the delivery of the applicable notice from the Indemnified Party, to assume, at the Indemnifying

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Party's expense, the defense thereof, with counsel reasonably satisfactory to such Indemnified Party. After notice from the Indemnifying Party to such Indemnified Party of its election so to assume the defense thereof, the Indemnifying Party shall not be liable to such Indemnified Party under this Section for any attorneys' fees or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof, other than reasonable costs of investigation.

(c) The Indemnified Party shall have the right to employ its own counsel if the Indemnifying Party elects to assume such defense, but the fees and expenses of such counsel shall be at the Indemnified Party's expense, unless (i) the employment of such counsel has been authorized in writing by the Indemnifying Party, (ii) the Indemnifying Party has not employed counsel to take charge of the defense within twenty (20) days after delivery of the applicable notice or, having elected to assume such defense, thereafter ceases its defense of such action, or (iii) the Indemnified Party has reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), in any of which events the attorneys' fees and expenses of counsel to the Indemnified Party shall be borne by the Indemnifying Party.

(d) The Indemnifying Party shall promptly notify the Indemnified Party if the Indemnifying Party desires not to assume, or participate in the defense of, any such third party claim, suit or action.

(e) The Indemnified Party or Indemnifying Party may at any time notify the other of its intention to settle or compromise any third party claim, suit or action against the Indemnified Party in respect of which payments may be sought by the Indemnified Party hereunder, and (i) the Indemnifying Party may settle or compromise any such claim, suit or action solely for the payment of money damages for which the Indemnified Party will be fully indemnified hereunder, but shall not agree to any other settlement or compromise without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld (it being agreed that any failure of an Indemnified Party to consent to any settlement or compromise involving relief other than monetary damages shall not be deemed to be unreasonably withheld), and (ii) the Indemnified Party may settle or compromise any such third party claim, suit or action solely for an

amount not exceeding one thousand dollars (\$1,000), but shall not settle or compromise any other matter without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

17.4 Notice and Additional Rights.

(a) If an Indemnified Party fails to give prompt notice of any third party claim being made or any third party suit or action being commenced upon determining that such claim, suit or action has or may give rise to any right of indemnification pursuant to Article XVII, such failure shall not limit the liability of the Indemnifying Party; provided, however, that this provision shall not be deemed to limit the Indemnifying Party's rights to recover from the Indemnified Party to the extent of any loss, cost or expense which it can establish resulted directly from such failure to give prompt notice.

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(b) Except as otherwise provided in the Agreement (including with respect to SLAs and risk management penalties), this Article XVII shall constitute the Parties' exclusive remedy for any of the matters addressed herein or other claim arising out of or relating to this Agreement; provided, however, that this provision shall not impair the ability of any Party to obtain specific performance or other equitable relief.

(c) Notwithstanding anything to the contrary in this Agreement, no Party shall be liable to the other for punitive or exemplary damages relating to or arising out of this Agreement, or any breach thereof or any of the transactions provided for therein, unless the Indemnified Party shall have become liable to a third party for any such amounts.

ARTICLE XVIII

MISCELLANEOUS

18.1 Securitization. Bank shall have the right to securitize or participate the Cardholder Indebtedness and the Accounts or any part thereof, by themselves or as part of a larger offering at any time, and, subject to Article XIII, shall have the right, to make all disclosures and filings associated with any such securitization or participation in accordance with Applicable Law and required by the terms of the securitization agreements (and, in the latter case, subject to appropriate confidentiality arrangements to the extent disclosure of Cardholder Data is required). Bank shall not securitize or participate the Cardholder Indebtedness in any manner that would not permit such arrangements to be unwound or that would not allow removal or substitution of the Program Assets in order to permit the FDS Companies to purchase the Program Assets pursuant to Article XVI. Without limiting the foregoing, Bank will structure any securitization or participation such that if FDS provides written notice to Bank in accordance with the provisions of this Agreement of FDS's exercise of its purchase option hereunder in accordance with Article XVI hereof, the securitization or participation arrangements will not impair FDS's rights to purchase the Accounts and the Gross Receivables arising thereunder or require the FDS Companies to assume, directly or indirectly, any obligation under any such securitization or participation. To the extent any of the FDS Licensed Marks are used in any securitization documents, such marks shall not be used in a way that adversely affects any of the FDS Companies or the FDS Licensed Marks.

18.2 Assignment. None of the FDS Companies, on the one hand, and Bank, on the other hand, shall assign this Agreement or any of their rights or obligations hereunder without the prior written consent of the other Party; provided, however, that, immediately following the First Closing, Bank shall assign this Agreement, and all of the rights and obligations contained herein (including licenses granted herein, notwithstanding any contrary limitation on sub-license rights) to CEBA Bank upon written notice to FDS Bank without any FDS Companies' consent, provided, however, that the indemnification obligations set forth in Article XVII shall not be assigned to the CEBA Bank but shall remain obligations of Citibank, N.A. and Citibank, N.A. shall remain directly liable therefor (regardless of whether the Person whose actions give rise to such indemnification obligations is "Bank", CEBA Bank, Citibank, N.A. or any other Person); provided, further, that the assigning party shall remain obligated and liable to the FDS Companies without diminution of such obligation or liability (or the other party's rights or benefits) by virtue of such assignment; and provided, further, that FDS Bank may assign this

Agreement and all of its rights and obligations hereunder to FDS or any Subsidiary of FDS.

18.3 Sale or Transfer of Accounts. Except as otherwise provided in this Agreement, including as set forth in Sections 18.1 or 18.2, Bank shall not sell or transfer in whole or in part the Accounts.

18.4 Subcontracting. Except as set forth in Section 3.2(d)(vi), it is understood and agreed that, in fulfilling its obligations under this Agreement, no Person other than a Party hereto or its Affiliates may perform such Party's functions; provided that, to the extent any of the FDS Companies subcontract or outsource to any third party any services to be provided hereunder by the FDS Companies as of the date hereof, the FDS Companies and their Affiliates may continue to subcontract or outsource such services to any third party. Each Party hereto shall be responsible for functions performed by such Affiliates or other Persons to the same extent the Party would be responsible if it performed such functions itself.

18.5 Amendment. Except as provided herein, this Agreement may not be amended except by a written instrument signed by Bank and each of the FDS Companies.

18.6 Non-Waiver. No delay by a Party hereto in exercising any of its rights hereunder, or partial or single exercise of such rights, shall operate as a waiver of that or any other right. The exercise of one or more of a Party's rights hereunder shall not be a waiver of, or preclude the exercise of, any rights or remedies available to such Party under this Agreement or in law or at equity. Any waiver by a Party shall only be made in writing and executed by a duly authorized officer of such Party.

18.7 Severability. In case any one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and this Agreement shall be reformed, construed and enforced as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein and there had been contained herein instead such valid, legal and enforceable provisions as would most nearly accomplish the intent and purpose of such invalid, illegal or unenforceable provision.

18.8 Waiver of Jury Trial and Venue.

(a) Each Party hereby waives all right to trial by jury in any action or proceeding to enforce or defend any rights under this Agreement.

(b) Each Party hereby irrevocably submits to the jurisdiction of the United States District Court for the District of Delaware or, if such federal jurisdiction is unavailable, in the state courts of the State of Delaware over any action arising out of this Agreement, and each Party hereby irrevocably waives any objection which such Party may now or hereafter have to the laying of improper venue or forum non conveniens. Each Party agrees that a judgment in any such action or proceeding may be enforced in other jurisdictions by suit on the judgment or in any manner provided by law. Any and all service of process and any other notice in any such suit, action or proceeding with respect to this Agreement shall be effective against a Party if given as provided herein.

18.9 Governing Law; Compliance with Law.

(a) This Agreement and all rights and obligations hereunder, including matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made to be performed within such State and applicable federal law.

(b) Each Party shall comply in all material respects with Applicable Law in connection with its activities and the exercise of its rights and performance of its obligations hereunder.

18.10 Specific Performance. The Parties agree that money damages would not be a sufficient remedy for any breach of Article VI, X or XIII or the

failure of a Party to perform any of its material obligations hereunder, and that, in addition to all other remedies, each Party will be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any such breach or failure to perform its material obligations hereunder. Each Party waives any requirements for the securing or posting of any bond in connection with such remedy.

18.11 Captions. Captions of the articles and sections of this Agreement are for convenient reference only and are not intended as a summary of such articles or sections and do not affect, limit, modify or construe the contents thereof.

18.12 Notices. Any notice, approval, acceptance or consent required or permitted under this Agreement shall be in writing to the other Party and shall be deemed to have been duly given when delivered in person or, if sent by United States registered or certified mail, with postage prepaid, or by a nationally recognized overnight delivery service, when received, addressed as follows:

If to the FDS Companies: c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: Vice Chair - Finance
Facsimile: (513) 579-7462

With a copy to: c/o Federated Department Stores, Inc.
7 West Seventh Street
Cincinnati, Ohio 45202
Attention: General Counsel
Facsimile: (513) 579-7354

With a copy to: FDS Bank
9111 Duke Boulevard
Mason, Ohio 45040
Attention: President
Facsimile: (513) 573-2720

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If to Bank: Citibank, N.A.
701 E. 60th North
Sioux Falls, South Dakota 57104
Attention: David Zimbeck
Facsimile: (605) 330-6745

With a copy to: Citicorp Commerce Solutions
Attention: General manager
Four Parkway North
Deerfield, Illinois 60015
Fax: (847) 579-3259

With a copy to: Citigroup Inc.
Attention: M&A Legal
425 Park Ave. 4th Floor
New York, New York 10043
Fax: (212) 793-6072

18.13 Coordination of Consents and Approvals. With respect to any consent or approval to be given by the FDS Companies, FDS may give consents or approvals on behalf of the other FDS Company and Bank shall be entitled to rely on any such consent or approval of FDS acting on behalf of any or all of the FDS Companies. With respect to any consent or approval to be given by Bank, Bank may give such consents or approvals.

18.14 Further Assurances. The FDS Companies and Bank agree to produce or execute such other documents or agreements as may be reasonably necessary or desirable for the execution and implementation of this Agreement and the consummation of the transactions specified herein and to take all such further action as the other Party may reasonably request in order to give evidence to the consummation of the transactions specified herein.

18.15 No Joint Venture. Nothing contained in this Agreement (including use of the term "Partner") shall be deemed or construed by the

Parties or any third party to create the relationship of principal and agent, partnership, joint venture or of any association between the FDS Companies and Bank, and no act of either Party shall be deemed to create any such relationship. The FDS Companies and Bank each agree to such further actions as the other may reasonably request to evidence and affirm the non-existence of any such relationship.

18.16 Press Releases. The FDS Companies, on the one hand, and Bank, on the other hand, each shall obtain the prior written approval of the other Party with regard to the substance and timing of any press release which announces the execution of this Agreement or the transactions specified herein, which prior approval shall not unreasonably be withheld. At all times thereafter, the FDS Companies and Bank, prior to issuing any press releases concerning this Agreement or the transactions specified herein, shall consult with each other concerning the proposed substance and timing of such releases and give due consideration to the comments of the other Party relating thereto. The foregoing notwithstanding, it is understood that neither Party shall be required to obtain any prior consent, but shall consult with each other to the extent practicable, with regard to (a) filings, press releases and other announcements as may be required

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by Applicable Law or the applicable rules and regulations of any governmental agency or stock exchange and (b) publications prepared solely by and for employees of any of the FDS Companies or Bank, or their respective Affiliates.

18.17 No Set-Off. The FDS Companies and Bank agree that each Party has waived any right to set-off, combine, consolidate or otherwise appropriate and apply (i) any assets of the other Party held by the Party or (ii) any indebtedness or other liabilities at any time owing by the Party to the other Party, as the case may be, against or on account of any obligations owed by the other Party under this Agreement, except as expressly set forth herein.

18.18 Conflict of Interest. Each Party hereto, in performing its obligations hereunder, shall establish and maintain appropriate business standards, procedures and controls. Each Party shall review such standards, procedures and controls with reasonable frequency during the Term including those related to the activities of its employees and agents in their relations with the employees, agents and representatives of the other Party hereto and with other third parties.

18.19 Third Parties. There are no third-party beneficiaries to this Agreement. Except for the Indemnified Parties with respect to indemnity claims pursuant to Article XVII, the Parties do not intend: (i) the benefits of this Agreement to inure to any third party; or (ii) any rights, claims or causes of action against a Party to be created in favor of any person or entity other than the other Party.

18.20 Force Majeure. If performance of any service or obligation under this Agreement is prevented, restricted, delayed or interfered with by reason of labor disputes, strikes, acts of God, floods, lightning, severe weather, shortages of materials, rationing, utility or communication failures, earthquakes, war, revolution, acts of terrorism, civil commotion, acts of public enemies, blockade, embargo or any law, order, proclamation, regulation, ordinance, demand or requirement having legal effect of any government or any judicial authority or representative of any such government, or any other act whatsoever, whether similar or dissimilar to those referred to in this clause, which are beyond the reasonable control of a Party and could not have been prevented by reasonable precautions (each, a "Force Majeure Event"), then such Party shall be excused from such performance to the extent of and during the period of such Force Majeure Event. A Party excused from performance pursuant to this Section 18.20 shall exercise all reasonable efforts to continue to perform its obligations hereunder, including by implementing its disaster recovery and business continuity plan as provided in Section 7.3(e), and shall thereafter continue with reasonable due diligence and good faith to remedy its inability to so perform except that nothing herein shall obligate either Party to settle a strike or other labor dispute when it does not wish to do so. Notwithstanding the foregoing, if a condition constituting a Force Majeure Event with respect to Bank, on the one hand, or an FDS Company on the other hand, exists for more than thirty (30) consecutive days (or five (5) consecutive days in the case of any Force Majeure Event affecting any payment obligation hereunder), this provision shall cease to apply and all rights and remedies of the other Party shall be

reinstated as if this provision had not applied.

18.21 Entire Agreement. This Agreement, together with the Schedules hereto which are expressly incorporated herein by reference, and the Purchase Agreement, supersedes any other agreement, whether written or oral, that may have been made or entered into by the FDS

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Companies and Bank (or by any officer or employee of any such Parties) relating to the matters specified herein, and constitutes the entire agreement by the Parties related to the matters specified herein or therein.

18.22 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns. This Agreement is the product of negotiation by the Parties having the assistance of counsel and other advisers. It is the intention of the Parties that this Agreement not be construed more strictly with regard to one Party than with regard to the other.

18.23 Counterparts/Facsimiles. This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same instrument, but in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. Any facsimile of an executed counterpart shall be deemed an original.

18.24 Financial Statements. If, at any time during the Term, FDS is no longer required to publicly file financial statements pursuant to the Exchange Act or otherwise, FDS shall promptly deliver to Bank quarterly and annual financial statements in form and substance similar to those required pursuant to the Exchange Act, as reasonably requested by Bank from time to time.

18.25 Survival. Upon the expiration or termination of this Agreement, the Parties shall have the rights and remedies described herein. Upon such expiration or termination, all obligations of the Parties under this Agreement shall cease, except that the obligations of the Parties pursuant to Section 3.4(e) (Partner Program Team), Article VI (Cardholder Information), Section 8.5 (Bank's Right to Charge Back), Article X (Intellectual Property), Article XII (Access, Audit and Dispute Resolution), Article XIII (Confidentiality), Article XVI (Effects of Termination), Article XVII (Indemnification), Section 18.8 (Waiver of Jury Trial and Venue) and 18.9 (Governing Law; Compliance with Law) shall survive the expiration or termination of this Agreement.

[Remainder of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed as of the date first above written.

CITIBANK, N.A.

By: /s/ Ray Quinlan

Name: Ray Quinlan
Title: Executive Vice President

FEDERATED DEPARTMENT STORES, INC.

By: /s/ Ronald W. Tysoe

Name: Ronald W. Tysoe
Title: Vice Chair

FDS BANK

By: /s/ Teresa Huxel

Name: Teresa Huxel
Title: President and Chief Financial Officer

FACS GROUP, INC.

By: /s/ Amy Hanson

Name: Amy Hanson
Title: President

EXHIBIT 99.1

FEDERATED DEPARTMENT STORES, INC.

Contacts:

Media - Carol Sanger
513/579-7764

Investor - Susan Robinson
513/579-7780

FOR IMMEDIATE RELEASE

FEDERATED ANNOUNCES STRATEGIC CREDIT ALLIANCE WITH CITIGROUP;
TRANSACTIONS ENCOMPASS RECEIVABLES SALE AND ONGOING PARTNERSHIP

CINCINNATI--(BUSINESS WIRE)--June 2, 2005--Federated Department Stores, Inc. (NYSE:FD) today announced that it has entered into a strategic alliance with Citigroup (NYSE:C) to operate Federated's proprietary and co-branded Visa credit card businesses.

Under the terms of this agreement, it is anticipated that Citigroup will purchase all receivables of Federated and The May Department Store Company (NYSE:MAY) (after its acquisition by Federated) in three separate transactions for an upfront premium of approximately 11.5 percent. In total, these transactions are expected to produce after-tax proceeds of approximately \$4.5 billion.

Additionally, Federated and Citigroup have entered into a multi-year agreement that provides for Federated to receive future ongoing payments. These payments will be based on credit (proprietary and Visa) sales and certain other performance metrics of the credit portfolio after the receivables sale is completed. Federated and Citigroup also have agreed to work together on various marketing initiatives designed to accelerate Federated's same-store sales gains, as well as on initiatives to further enhance credit growth and profitability, particularly as it relates to the co-branded Visa portfolio.

Federated's Financial, Administrative and Credit Services (FACS) division, headquartered in suburban Cincinnati, will continue to manage key customer service functions, and no job losses are expected as a result of the transactions. No changes are planned to Federated's credit card or loyalty reward programs, and customers should continue to use their cards in the same manner as they do today.

"We are very excited to be joining forces with a leader in the credit card business through this new alliance with Citigroup," said Terry J. Lundgren, Federated's chairman, president and chief executive officer. "We are exceptionally proud of the credit operation at FACS and pleased with the value that has been created in this business as a result of those efforts. We now look forward to working together with Citigroup to continue to enhance our relationship with our very best customers, while also building on our success in the credit business by capitalizing on Citigroup's great expertise and commitment to the credit business."

Marge Magner, chairman and chief executive officer of Citigroup's Global Consumer Group, said: "With nearly 140 million accounts worldwide, Citigroup is a global leader in credit cards. This relationship is part of our continuing effort to leverage our core strengths in partner alliances in the credit card market. We look forward to applying our innovative, world-class capabilities to help assure the ongoing success of the Federated and May retail partner programs and drive sustainable growth within our business."

The initial closing, which includes Federated's owned proprietary and Visa receivables (totaling \$3.2 billion at the end of fiscal 2004), is subject to regulatory approvals and other customary closing conditions, and is expected to occur by early in Federated's fiscal third quarter. Federated expects to receive approximately \$2.3 billion in after-tax proceeds after paying \$1.2 billion of outstanding asset-backed securities.

A portion of the receivables generated by Federated's retail operations currently is owned by General Electric Capital Corporation (GECC). The GECC portfolio, with \$1.2 billion in receivables at the end of Federated's fiscal

2004, is expected to be transferred to Citigroup in late April of 2006. At that time, Federated will repurchase the portfolio from GECC and sell it to Citigroup on the same terms as the initial Federated portfolio sale.

Following a successful conclusion of Federated's pending acquisition of The May Department Stores Company, which is expected to be finalized in the third quarter of this fiscal year, Federated anticipates that within 12 months following the May closing it will sell the May credit portfolio, which included \$2.2 billion in receivables at yearend 2004, to Citigroup on essentially the same terms as the initial Federated portfolio sale.

The company anticipates using the proceeds from these transactions either to fund the May Co. acquisition or to repay acquisition-related debt, depending on the timing of the closings. Upon elimination of this debt, cash flow from the transactions may be used to repurchase Federated stock.

Assessing the benefits for Federated, Karen Hogue, Federated's executive vice president and chief financial officer, noted that these transactions "convert our receivables to cash, with a premium, and allow us to continue to participate in the ongoing growth and profitability of our credit business. On a pro-forma basis, had this partnership been in place in 2004 and were the May merger completed, these transactions would have been accretive to earnings and at the same time our balance sheet would have been materially strengthened."

Federated was advised in the transactions by Credit Suisse First Boston LLC, First Annapolis Consulting, Inc. and Simpson Thacher & Bartlett LLP. Jones Day and Sidley Austin Brown & Wood LLP also provided assistance on the transactions.

Safe Harbor

This document contains statements about expected future events that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, Federated's expectations regarding the anticipated closings of the various credit portfolio transactions and Federated's acquisition of The May Department Stores Company, statements about the benefits of the credit portfolio sales and the marketing initiatives, including future financial and operating results, the company's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Federated's management and are subject to significant risks and uncertainties. Actual results could differ materially from those expressed in the forward-looking statements contained in this document because of a variety of factors, including the conditions to closing of the proposed transactions contained in the transaction agreements, a significant change in the timing of, or the imposition of any government conditions or legal impediments to, the closing of the proposed transactions. Additional factors that may affect the future results of Federated are set forth in its filings with the SEC, which are available at www.fds.com.

Federated, with corporate offices in Cincinnati and New York, is one of the nation's leading department store retailers, with annual sales of more than \$15.6 billion. Federated operates more than 450 stores in 34 states, Guam and Puerto Rico under the names of Macy's and Bloomingdale's. The company also operates macys.com and Bloomingdale's By Mail.

(NOTE: A call with analysts will be held at 2 p.m. today. The webcast can be accessed through www.fds.com or by calling 866-332-6114. Pre-registration for the webcast is requested. Federated also issued a press release today on sales for the month of May. This release, along with past releases and other information on Federated, is available at www.fds.com/pressroom.)